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UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 1578, 1579—August Term, 1994

(Argued: June 29, 1995 Decided: October 18, 1995)

Docket Nos. 94-7793, 94-7847

BEEBE BOURNE, d/b/a Bourne Co.,

Plaintiff-Appellant-Cross-Appellee,

—v—

THE WALT DISNEY COMPANY and BUENA VISTA HOME VIDEO,

Defendants-Appellees-Cross-Appellants,

TOWER RECORDS, INC., BARNES & NOBLE BOOKSTORES, INC., BLOCKBUSTER ENTERTAINMENT CORP., RKO WARNER VIDEO, INC. and JOHN DOES 1 THROUGH 100,

Defendants.

Before:

VAN GRAAFEILAND and MINER, *Circuit Judges*, and COTE, *District Judge*.*

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* The Honorable Denise Cote of the United States District Court for the Southern District of New York, sitting by designation.

Appeal and cross-appeal from a judgment of the United States District Court for the Southern District of New York (Stanton, J.), entered after a jury trial, dismissing plaintiff's claim for copyright infringement based on defendants' sale of home videocassettes incorporating certain copyrighted musical compositions belonging to plaintiff, and awarding damages to plaintiff on its claim based on defendants' use of the musical compositions in paid television advertisements.

Affirmed.

STUART A. SUMMIT (George Berger, Theodore C. Max, Phillips, Nizer, Benjamin, Krim & Ballon, New York, NY, of counsel) *for Plaintiff-Appellant-Cross-Appellee.*

SANFORD M. LITVACK (Jacob M. Yellin, The Walt Disney Company, Burbank, CA, Clark E. Walter, Joanna R. Swomley, Dewey Ballantine, New York, NY, of counsel) *for Defendants-Appellees-Cross-Appellants.*

(Stephen H. Sulmeyer, Santa Monica, CA) for Karen Adams and Gretchen Thomas Anderson as *amici curiae.*

(Alan L. Shulman, Scott L. Baker, Silverman & Shulman, P.C., New York, NY, of counsel) for National Music Publishers' Association, Inc. as *amicus curiae.*

(Fritz E. Attaway, Motion Picture Association of America, Inc., Washington, DC, Jon A. Baumgarten, Charles S. Sims, Proskauer Rose Goetz & Mendelsohn, New York, NY, of counsel) for The Motion Picture Association of America, Inc. as *amicus curiae*.

(Dixon Q. Dern, Warren D. Dern, Dern & Vein, Los Angeles, CA, of counsel) for Video Software Dealers Association as *amicus curiae*.

MINER, *Circuit Judge*:

Plaintiff-appellant-cross-appellee Beebe Bourne, doing business as the Bourne Co. ("Bourne"), brought this copyright infringement action against defendants-appellees-cross-appellants Walt Disney Co. and Buena Vista Home Video (collectively, "Disney").

Bourne's first claim of infringement arose from Disney's sale of videocassette recordings featuring Bourne's copyrighted compositions from the motion pictures "Snow White and the Seven Dwarfs" and "Pinocchio" ("the Compositions"). Although the Compositions were written by Disney employees, Disney had assigned the copyrights in the Compositions to Irving Berlin, Inc. ("Berlin"), a music publisher and the predecessor-in-interest to Bourne, in the 1930s when the movies first were released.

While conceding that the instrument conveying Disney's copyrights in the Pinocchio compositions to

Bourne provided Disney with a license to use the compositions "in synchronism with any and all of the motion pictures which may be made by [Disney]," Bourne argued that these rights were insufficient to allow Disney to distribute the compositions on videocassette. With respect to the compositions from Snow White, Bourne argued that these copyrights were assigned to Bourne without the grant of a license to Disney allowing it to use the compositions. In Bourne's view, Disney had no right to use the compositions from Snow White until 1961, when Bourne conveyed certain rights to Disney in settlement of litigation then pending between the parties. The jury rejected each of Bourne's arguments.

Bourne's second copyright infringement claim related to Disney's use of the Compositions in television commercials. Bourne contended that the licenses granted to Disney did not provide Disney with the right to use the Compositions in these advertisements. The jury found in Bourne's favor on this claim. In so doing, the jury rejected Disney's argument that Bourne was estopped from asserting its interpretation of the license agreements. The parties stipulated to damages in the amount of $420,000.

On appeal, Bourne's principal contention is that the district court erred in failing to enter judgment as a matter of law in its favor on its claim regarding Disney's sale of videocassettes containing the Compositions. Bourne also argues that the district court improperly placed upon it the burden of proving that Disney's use of the Compositions was unauthorized. Finally, Bourne appeals from the district court's denial of certain ancillary relief in connection with its successful claim regarding the television advertisements. Disney cross-appeals, contending that the district court erred in failing to enter

judgment as a matter of law in its favor on its defense of estoppel. Disney also takes issue with certain aspects of the district court's jury charge. For the reasons that follow, we reject each of these challenges and affirm the judgment of the district court in its entirety.

BACKGROUND

1. The Agreements

a. The 1933 "Shorts" Agreement

Since 1928, Disney has been in the business of creating animated motion pictures. These films include music, which is synchronized to the movement depicted in the drawings. During the 1930s, Disney was best known for creating six- to eight-minute animated motion pictures, called "short subjects" or "shorts," featuring such characters as Mickey and Minnie Mouse, Goofy, and Donald Duck. At that time, Disney had no means of commercially exploiting the music featured in its shorts. In order to generate additional revenue from its musical compositions, Disney entered into an agreement with Berlin, one of the largest music publishers at that time.

Pursuant to a 1933 agreement between Berlin and Disney ("the 1933 Shorts Agreement"), Disney assigned the copyrights in the "musical compositions written for and used in connection with the synchronized motion picture comic cartoons of [Disney]" in exchange for a share of the revenues received by Berlin for use of the music. In derogation of the broad language set forth in the preamble of the agreement, paragraph nine limited the scope of the agreement in the following manner:

> [T]he motion picture comic cartoons contemplated herein shall be the remaining twenty-six (26)

> motion picture cartoons to be produced for the motion picture season of 1933-34, plus the following motion picture comic cartoons comprised within the series produced for the motion picture season of 1932-33: [listing titles of seven cartoons].

In order to allow Disney to use its musical compositions in connection with the animations for which they were written, paragraph two of the agreement granted back to Disney

> the right to record . . . such music, mechanically, and perform and license others to perform the same in connection with the respective motion picture for which such music was especially written, *the right to record such music mechanically in any and all other motion pictures to be produced by [Disney]*, the right to ship, import and export . . . any and all such mechanical recordings throughout the world, but only in connection with [Disney's] pictures. [Disney] reserves television rights in respect to its motion picture comic cartoons . . . .

(emphasis added).

The 1933 Shorts Agreement was extended by the parties during the next several years. In 1935, the parties enlarged the subject matter of the agreement to include the musical compositions contained in 18 additional Mickey Mouse and Silly Symphony cartoons. In 1936, the scope of the 1933 agreement again was expanded, this time to include the musical compositions contained in a series of cartoons to be distributed under an agreement with RKO Radio Pictures, Inc. The 1936 agreement was supplemented by a letter agreement in 1939 to include the "music and compositions contained in [Dis-

ney's] short subject motion pictures for the . . . 1937-38 and 1938-39" seasons.

b. Snow White and the 1937 Assignment Agreement

Disney's first feature-length film, Snow White, was exhibited in theaters beginning in December of 1937. Sometime before the movie's premiere, Disney assigned to Berlin the copyrights to eight musical compositions from Snow White. Pursuant to this agreement ("the 1937 Assignment Agreement"), Berlin agreed to pay Disney a share of the royalties that it received from licensees of these compositions. The printed-form agreement used to memorialize the copyright assignment did not reserve any rights to Disney, nor did it grant Disney a license to use the musical compositions in any manner. Notwithstanding this lack of an express license, Snow White was released in theaters on a number of occasions while the principals to the transaction still were alive, without complaint from Berlin or its successor, Bourne.

c. The 1939 Pinocchio Agreement

On August 15, 1939, Disney entered into a new and separate agreement with Berlin ("the 1939 Pinocchio Agreement"), assigning to Berlin the copyrights in (1) the compositions from Disney's full-length motion picture, Pinocchio, and (2) the short subjects comprising Disney's 1939-40 series, in exchange for certain royalties. This agreement specifically granted back to Disney

> the non-exclusive right to mechanically and/or electrically record the said musical compositions . . . in synchronism with any and all of the motion pictures which may be made by [Disney] and the right to export such recordings to all of the countries of the

> world, and the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronised.

The parties agree that this agreement is fully integrated and is not dependent on any prior agreements.

d. The 1961 Settlement Agreement

In 1957, following the death of Saul Bourne, who was the owner of Bourne, Inc., Disney sued to recapture the copyrights in the Compositions, alleging that the copyrights were held in trust by Bourne on the condition that they would be assigned back to Disney upon demand. In its complaint, Disney described the 1933 Agreement as "relating to the music in certain short motion picture subjects;" the 1937 Assignment Agreement as the only agreement concerning Snow White; and the 1939 Pinocchio Agreement as the only contract concerning Pinocchio. The litigation was settled in 1961 by mutual agreement ("the 1961 Settlement Agreement"). Although the 1961 Settlement Agreement granted Disney a license in the theatrical motion picture and television grand performing rights in the Compositions, as defined by the American Society of Composers, Authors, and Publishers, nothing in the settlement agreement gave Disney the right to synchronize or fix the Compositions on videocassette.

2. Disney's Use of the Compositions

a. In General

At trial, Disney introduced substantial evidence that it had used the Compositions for decades in a variety of ways, without complaint from Bourne. As noted above,

Snow White was released in 1937 and re-released seven times thereafter. In connection with the re-releases of both Pinocchio and Snow White, Disney created theatrical trailers, using the Compositions, which were run as "coming attractions" in movie theaters. Disney also used the Compositions in connection with its weekly television show that began in 1954 and ran for almost four decades. In particular, the song "When You Wish Upon a Star" from Pinocchio was used as the standard opening and closing for the series. There also was evidence that Disney sold reel-to-reel movies containing the Compositions for home use.

b. Videocassettes

The first videocassette recording that Disney made and sold containing Bourne's copyrighted compositions was the subject of a 1979 license agreement between Bourne and Disney ("the 1979 Agreement"). Pursuant to this agreement, Disney received a license to manufacture and sell videocassette recordings of a live theatrical performance of the Snow White compositions held at Radio City Music Hall. Bourne received a 68 cent royalty for each videocassette sold.

In the early 1980s, Disney introduced videocassettes containing various animated pictures synchronized with Bourne's compositions. In 1985, Disney released the full-length motion picture Pinocchio on videocassette. Prior to this time, Disney had a policy of prohibiting the exploitation of its full-length feature films in media other than theatrically-exhibited film. Indeed, pursuant to Disney's policy, films such as Snow White and Pinocchio were exhibited in theaters every six to eight years. This policy was abandoned after a change in Disney's management in 1984. The Pinocchio videocassette

remained on Billboard's list of top-selling videocassettes for almost three years.

Since the release of Pinocchio, Snow White also has been distributed on videocassette. Besides the release of Disney's feature films, the Compositions have been used by Disney in connection with "sing-along" programs and certain cartoons.

c. Advertising

Disney also has used the Compositions in paid television commercials to advertise its theme parks and the theatrical releases of Snow White and Pinocchio. Overall, Disney utilized such paid television advertising infrequently and on a regional, rather than a national, basis until the mid-1980s. On several occasions, Disney obtained licenses from Bourne for the use of the Compositions in its commercials. In 1975, Bourne issued a license to Disney for a television commercial using the song "When You Wish Upon a Star" to promote Disneyland. In 1977, Disney paid Bourne a fee to use one of its copyrighted compositions from Snow White in connection with a television advertisement for Disney World and Eastern Airlines. Again, in 1985, Disney obtained a license from Bourne for the use of the Compositions in its television commercials.

In the majority of instances, however, Disney has used the Compositions in its paid television advertisements without obtaining a license from Bourne. In January of 1987, Disney began its "What's Next" series, in which it used the song "When You Wish Upon a Star" in a national television campaign without a license from Bourne. Disney also used the Compositions in television commercials to promote the theatrical releases of Pinoc-

chio in 1984 and Snow White in 1987, even though it had not obtained a license.

3. Proceedings Below

Following an eleven-day trial,[1] the jury returned a verdict in favor of Bourne on its second claim, finding that Disney infringed Bourne's copyrights by using the Compositions in television advertising. On Bourne's first claim, concerning Disney's right to use the Compositions in videocassettes, the jury found for Disney. The parties stipulated to the sum of $420,000 in damages. The district court denied Bourne's post-trial motions for attorney's fees and a new trial on the basis of newly discovered evidence, and granted its motions for costs and prejudgment interest.

DISCUSSION

1. Disney's Rights to Make and Sell Videocassettes

a. Disney's Rights in Snow White

Bourne argues that the district court erred in submitting to the jury the question of whether Disney has a license for the musical compositions from Snow White. Bourne bases this argument on its contentions that (1) Snow White clearly falls outside the scope of the 1933 Shorts Agreement, and (2) the 1937 Assignment Agreement, by which the copyrights in musical compositions from Snow White were assigned to Bourne, did not con-

[1] In an earlier appeal to this court, *Bourne Co. v. Tower Records, Inc.*, 976 F.2d 99 (2d Cir. 1992), we reversed the district court's grant of a preliminary injunction in favor of Bourne. We held that Bourne had failed to establish that it would suffer irreparable harm absent the issuance of an injunction, primarily because Disney had, for decades, used the Compositions for purposes other than the theatrical exhibition of motion pictures.

tain a provision granting rights back to Disney. Accordingly, Bourne argues that the district court erred in failing to enter judgment as a matter of law in its favor with regard to Snow White.

As to Bourne's first contention, we agree that the musical compositions from Snow White clearly fall outside the scope of the 1933 Shorts Agreement. In arguing that the agreement was ambiguous, Disney points to the broad language of the preamble of the 1933 Agreement, which states: "[Bourne] desires to acquire the copyrights for the musical compositions written for and used in connection with the synchronized motion picture comic cartoons of [Disney]." Disney reasons that, since Snow White is a "motion picture comic cartoon," the agreement could be read to include the Snow White compositions. We disagree.

Disney's construction of the preamble is belied by paragraph nine of the agreement, which provides:

> [T]he motion picture comic cartoons contemplated herein shall be the remaining twenty-six (26) motion picture cartoons to be produced for the motion picture season of 1933-34, plus the following motion picture comic cartoons comprised within the series produced for the motion picture season of 1932-33: [listing titles of seven cartoons].

Snow White's compositions clearly fall outside the scope of paragraph nine. Reading the contract as a whole, as we must, *see Kinek v. Paramount Communications, Inc.*, 22 F.3d 503, 509 (2d Cir. 1994), we conclude that Disney's reliance on the preamble is misplaced. Moreover, Disney's construction of the agreement is contradicted by the parties' subsequent agreements in 1935, 1936, and 1939, in which the parties enlarged "the subject mat-

ter" of the 1933 Shorts Agreement by adding certain motion picture comic cartoons "in addition to those set forth in paragraph '9' of the [prior] contract." Accordingly, we conclude that the Snow White compositions fall outside the scope of the 1933 Shorts Agreement.

However, our examination of the 1937 Assignment Agreement persuades us that it was not intended to be a complete integration of the mutual promises between Disney and Bourne, and, therefore, that extrinsic evidence of the implied grant of a license to Disney properly was admitted. Under New York law, where, as here, the written agreement does not contain a merger clause, the court must determine whether the agreement is integrated "by reading the writing in the light of surrounding circumstances, and by determining whether or not the agreement was one which the parties would ordinarily be expected to embody in the writing." *Braten v. Bankers Trust Co.*, 468 N.Y.S.2d 861, 864 (1983) (quoting *Ball v. Grady*, 267 N.Y. 470, 472 (1935)). The "[d]ecision in each case must, of course, turn upon the type of transaction involved, the scope of the written contract" and the content of any other agreements asserted. *Fogelson v. Rackfay Constr. Co.*, 300 N.Y. 334, 338 (1950).

We believe that the circumstances surrounding the 1937 Assignment Agreement compel the conclusion that the agreement was not intended to be an integration. If, as Bourne contends, the 1937 Assignment Agreement was intended to constitute the entire agreement concerning the musical compositions from Snow White, then Disney would have been left with no right to use the compositions in the original release of the motion picture in 1937 or in any of the subsequent releases. That Disney would relinquish, on the eve of Snow

White's theatrical release, all rights in the compositions that it composed specifically for use in the motion picture is highly implausible.

Other factors also weigh against finding that the agreement was intended to be an integration. First, for Disney not to have received a grant-back from Bourne would have marked a considerable departure from the prior business relationship between the companies. The prior agreements between the parties demonstrate that Disney, a motion picture producer, turned to Bourne, a music publisher, to exploit commercially the musical compositions that Disney created in connection with its motion pictures. In each instance, Disney retained certain rights in the compositions so as to allow Disney to continue to put them to the use for which they originally were written. Indeed, the use of the Compositions by Disney in connection with its motion pictures was essential to the purpose of the agreements, since Bourne's ability to exploit successfully the Compositions depended, in large part, on the success of Disney's motion pictures. *See Saxon Capital Corp. v. Wilvin Assocs.*, 600 N.Y.S.2d 708, 709 (1st Dep't 1993) ("[T]he condition [absent from the writing] was so central to the purpose of the [agreement] that the condition might well have been perceived by defendants as self-evident and its omission unremarkable.").

The parties' conduct subsequent to the agreement also weighs against finding that the 1937 Assignment Agreement was intended to be an integration. Berlin and its successor, Bourne, certainly were aware of Snow White's successful theatrical releases. Yet, Bourne never contended, until this litigation, that Disney did not have the right to use the musical compositions written for Snow White in synchronization with the motion picture.

Finally, we note that the 1937 Assignment Agreement was a printed-form contract, prepared by Bourne, and apparently signed without extensive negotiations or the involvement of legal counsel. *Cf. Braten*, 468 N.Y.S.2d at 864 (in concluding that the contract was a complete integration, the court relied on the fact that "[t]he parties and their counsel negotiated during a two-month period, resulting in a specially drawn document"). Based on the foregoing considerations, we are confident that a New York court would conclude that the 1937 Assignment Agreement was not intended to be a complete integration. *See Saxon*, 600 N.Y.S.2d at 709. Accordingly, extrinsic evidence properly was admitted to prove that the parties intended to grant back to Disney certain rights in the Snow White compositions.

Although there was little direct evidence of the specific terms of the grant-back, we believe that Disney presented persuasive evidence that the contracting parties intended the grant-back provisions set forth in the 1933 Shorts Agreement to govern Disney's rights to the Snow White compositions. The 1933 Shorts Agreement, which had been expanded in 1935 and 1936, was the only written agreement between the parties that delineated Disney's rights in musical compositions that it had turned over to Bourne to exploit. Furthermore, correspondence between the parties indicates that the compositions from Snow White were being delivered to Bourne "for the usual purpose," evincing an intent to have the matter controlled by a framework already established by the parties. Therefore, the evidence demonstrates an implied understanding between Disney and Bourne that Disney's rights to the Snow White compositions were to be controlled by the 1933 Shorts Agreement. Accordingly, we conclude that, while the compositions from Snow White

do not fall explicitly within the scope of the 1933 Shorts Agreement, the jury reasonably could have found that the parties implicitly incorporated the grant-back provision of the 1933 Shorts Agreement into the 1937 Assignment Agreement. Therefore, the district court did not err in submitting this matter to the jury.

b. Disney's Rights to Produce Videocassettes

Bourne argues that the district court also erred by submitting to the jury the question of whether the 1933 Shorts Agreement and the 1939 Pinocchio Agreement provided Disney with a license to synchronize the Compositions with its videocassette images ("videocassette rights"). Bourne contends that videocassette rights fall outside the specific language of the grant, and that, because videocassette technology was unknown at the time of the agreements, such rights could not have been within the contemplation of the parties.

The relevant principles of contract construction are well-established. The primary objective "is to give effect to the intent of the [contracting] parties as revealed by the language they chose to use." *Seiden Assocs., Inc. v. ANC Holdings, Inc.*, 959 F.2d 425, 428 (2d Cir. 1992). If the language of the contract is "unambiguous and conveys a definite meaning," then the interpretation of the contract is a question of law for the court. *Sayers v. Rochester Tel. Corp. Supplemental Management Pension Plan*, 7 F.3d 1091, 1094 (2d Cir. 1993); *see Seiden*, 959 F.2d at 428 (contract language "is not ambiguous when it has a definite and precise meaning . . . concerning which there is no reasonable basis for a difference in opinion" (internal quotations omitted)). Alternatively, "[w]here the language used is susceptible to differing interpretations, each of which may be said to be as rea-

sonable as another," then the interpretation of the contract becomes a question of fact for the jury and extrinsic evidence of the parties' intent properly is admissible. *Seiden*, 959 F.2d at 428; *see Walk-In Medical Ctrs., Inc. v. Breuer Capital Corp.*, 818 F.2d 260, 263 (2d Cir. 1987) (stating that language is ambiguous if it is "capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business" (internal quotations omitted)).

In order to analyze Bourne's contention that Disney has no right to produce videocassettes utilizing the Compositions, we first must look to the specific language of the grants. If the production of home videocassettes clearly falls outside the scope of the grants, then Disney's use of the Compositions was unauthorized as a matter of law, and, therefore, the district court erred in submitting this question to the jury.

The 1939 Pinocchio Agreement provided Disney with "the non-exclusive right to mechanically and/or electrically record the said musical compositions . . . in synchronism with any and all of the *motion pictures* which may be made by [Disney]." (emphasis added). Similarly, the 1933 Shorts Agreement, which we believe also controlled Disney's rights with respect to the compositions from Snow White, granted to Disney "the right to record such music mechanically in any and all other *motion pictures* to be produced by [Disney]." (emphasis added). As is apparent from the emphasized portions of the quoted language, the issue is whether, as Bourne contends, the term "motion picture" unambiguously excludes home videocassettes.

In support of this contention, Bourne makes several arguments. First, Bourne notes that, during the 1930s, the term "motion picture" was used to refer to the exhibition of projected images from celluloid film in a theater. In that sense, it was a reference to a specific type of medium for distributing images, rather than to the actual content of the work itself. This understanding of the term "motion picture" was supported by the testimony of Bourne's expert witness, Renville McMann, Jr., an expert in television and videocassette technology.

Bourne also relies on the fact that the 1933 Shorts Agreement specifically gave Disney the right to use the Compositions on television, while the 1939 Pinocchio Agreement did not expressly grant Disney television rights. From this, Bourne asks us to infer that the parties intended only a narrow transfer of rights in the 1939 Pinocchio Agreement. Bourne also asks us to infer that the parties perceived a difference between a motion picture and the broadcast of the same on television.

In addition, Bourne emphasizes that video cassette recorders ("VCRs") and videocassettes were unknown commercially at the time the agreement was signed. Bourne argues that both the First and Ninth Circuits, as well as the New York state courts, have held "that rights to future technologies such as videocassette recording are not conveyed where the technology was unknown at the time the parties entered into the bargain and no broad license of rights exists." In making this argument, Bourne relies on a line of cases which essentially have held that the grant of television rights does not include home videocassette rights. *See Rey v. Lafferty*, 990 F.2d 1379, 1390 (1st Cir.) (license to produce episodes "for television viewing" held not to include home videocassette rights), *cert. denied*, 114 S. Ct. 94 (1993); *Cohen v.*

Paramount Pictures Corp., 845 F.2d 851, 854 (9th Cir. 1988) (holding that the right to exhibit a motion picture "by means of television" does not include the right to distribute videocassettes of the film); *Tele-Pac, Inc. v. Grainger*, 570 N.Y.S.2d 521, 522 (1st Dep't 1991) (license to distribute the subject motion pictures "for broadcasting by television or any other similar device now known or hereafter to be made known" held not to include home videocassette rights). These cases, however, did not address the precise issue presented here: whether the grant of rights to synchronize musical compositions with "motion pictures" allows for videocassette synchronization.

While the arguments relied upon by Bourne are not entirely without merit, we cannot agree that the term "motion picture" has a sufficiently definite and precise meaning as to allow for interpretation as a matter of law. Rather than referring simply to the celluloid-film medium, we believe that the term "motion picture" reasonably can be understood to refer to

> a broad genus whose fundamental characteristic is a series of related images that impart an impression of motion when shown in succession, including any sounds integrally conjoined with the images. Under this concept the physical form in which the motion picture is fixed—film, tape, discs, and so forth—is irrelevant . . . .

S. Rep. No. 72, 92d Cong., 1st Sess. 5 (1971) (providing Congress' understanding of "motion pictures" under the Copyright Act of 1909). Peter Nolan, a long-time Disney employee, and Dr. Richard Koszarski, curator of the American Museum of the Moving Image, both testified in support of this understanding. As Dr. Koszarski

explained, there is no practical difference between storing a motion picture on film, videocassette, or any other storage media. We also note that Congress adopted the broader definition of the term "motion picture" in enacting the Copyright Act of 1976, 17 U.S.C. § 101. (" 'Motion pictures' are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.") Accordingly, we agree with the Fifth Circuit's decision in *Bloom v. Hearst Entertainment, Inc.*, 33 F.3d 518, 525 (5th Cir. 1994), in which the court held that "a general grant of motion picture rights is potentially broad enough to contemplate . . . [videocassettes] as [a] means of distribution."

Insofar as Bourne contends that, because videocassettes were unknown at the time of the agreement, their use could not have been within the contemplation of the parties, we disagree. While the specific technology underlying today's VCRs was not available during the 1930s, Disney introduced credible evidence demonstrating that home viewing of motion pictures was within the contemplation of persons in the motion picture industry during the 1930s. Indeed, even in the 1930s Disney made available certain short subject cartoons for home viewing. Furthermore, Disney's expert witness, Dr. Koszarski, testified regarding the non-celluloid methods of storing motion pictures that were under development during the 1930s.

Having concluded that the language of the grant to Disney reasonably is broad enough to cover videocassettes and that the possibility that Disney could market its motion pictures for home viewing was recognized by persons knowledgeable in the entertainment and motion picture industries, we believe that the district court properly

submitted to the jury the question of whether the 1933 Shorts Agreement and the 1939 Pinocchio Agreement provided Disney with the right to synchronize the Compositions to videocassettes containing its motion pictures.

c. Burden of Proof

Bourne contends that, even if the district court properly submitted the issue of contract interpretation to the jury, the court erred in its jury charge regarding the burden of proof. The district court charged the jury that Bourne, as the plaintiff-licensor, had the burden of proving that Disney's use of the Compositions was unauthorized. Bourne argues that a license is an affirmative defense to a claim of copyright infringement, and, therefore, that Disney had the burden of proving that its use of the Compositions was authorized.

Bourne is correct insofar as it contends that the possession of a license by an accused infringer traditionally has been characterized as a matter of affirmative defense. *See, e.g.*, Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.01 ("Nimmer"). However, in most of the cases addressing the defense of license, the issue has been whether a license is held by the accused infringer. *See, e.g., CMS Software Design Sys., Inc. v. Info Designs, Inc.*, 785 F.2d 1246, 1247 (5th Cir. 1986). Since, in such cases, evidence of a license is readily available to the alleged licensee, it is sensible to place upon that party the burden of coming forward with evidence of a license. *See United States v. Larracuente*, 952 F.2d 672, 674 (2d Cir. 1992) (holding that a defendant charged with criminal copyright infringement bears the burden of producing evidence of a sub-license).

In this case, however, there is no dispute that Disney received from Bourne various licenses to copyrighted

compositions. The only dispute is whether Disney's synchronization of the Compositions with its home videocassettes and its use of the Compositions in its television commercials fall within the scope of the existing licenses. *See Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 20 (2d Cir. 1976) (licensee infringes owner's copyright if its use exceeds the scope of the license). Thus, the only dispute here is the scope of the licenses, not their existence.

We conclude that, in cases where only the scope of the license is at issue, the copyright owner bears the burden of proving that the defendant's copying was unauthorized. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 (9th Cir. 1989) ("To prevail on its claim of copyright infringement, [the copyright owner] must prove . . . 'copying' of protectible expression by [the accused infringer] beyond the scope of [the] license."); *Microsoft Corp. v. Harmony Computers & Electronics, Inc.*, 846 F. Supp. 208, 210 (E.D.N.Y. 1994); *see also NLFC, Inc. v. Devcom Mid-America, Inc.*, 45 F.3d 231, 235 n.5 (7th Cir.), *cert. denied*, 115 S. Ct. 2249 (1995). Copyright disputes involving only the scope of the alleged infringer's license present the court with a question that essentially is one of contract: whether the parties' license agreement encompasses the defendant's activities. Just as in an ordinary contract action, the party claiming a breach carries the burden of persuasion. *See Gordon v. Leonetti*, 324 F.2d 491, 492 (2d Cir. 1963).

d. Disney's Right to Distribute Videocassettes

Bourne further argues that, even if Disney had the right to synchronize the Compositions with videocassettes, Disney had no right to sell or publicly distribute the videocassettes that it produced. Bourne asserts that

Disney needed two separate grants from Bourne to make and distribute videocassettes containing the synchronized Compositions: (1) the right to copy (or record) the Compositions in synchronization with Disney's motion pictures; and (2) a separate right to sell or distribute the videocassettes. Since the grants to Disney do not specifically include the latter right, Bourne argues, Disney's sale and distribution of its videocassettes constitute an infringement of Bourne's copyrights in the Compositions, even if the license granted Disney the former right.

Under the Copyright Act of 1909 ("the 1909 Act"),[2] the copyright holder has the exclusive right to "publish . . . and vend the copyrighted work." 17 U.S.C. § 1(a) (1909 Act). Although Disney has been "vending" works without any express license from Bourne, Disney contends that its activities fall within the first sale doctrine. Section 27 of the 1909 Act provides:

> The copyright is distinct from the property in the material object copyrighted, and the sale or conveyance . . . of the material object shall not of itself constitute a transfer of the copyright . . . ; but nothing in this title shall be deemed to forbid, prevent, or restrict *the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.*

17 U.S.C. § 27 (1909 Act) (emphasis added). A similar provision appears in the Copyright Act of 1976. *See* 17 U.S.C. § 109.[3] These provisions generally are considered

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[2] Since the copyrights at issue were registered during the 1930s, when the 1909 Act was in force, plaintiff's claims must be analyzed under that act. *See Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 553 (2d Cir. 1995).

[3] Section 109 provides that, "[n]otwithstanding the [copyright owner's exclusive right to distribute copies granted by 17 U.S.C. § 106(3)], the owner of a particular copy or phonorecord lawfully made . . . is entitled,

to enunciate the first sale doctrine. *See* Nimmer, *supra*, § 8.12[B]. Disney argues that, since it was authorized under the various license agreements to synchronize the Compositions with its videocassettes, the first sale doctrine permits it to transfer the resulting videocassettes as it sees fit.

In *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963), this court noted that, while the language of section 27 is quite expansive, a literal reading of the statute is unacceptable, stating that

> [i]f lawful possession by another sufficed to deprive the copyright proprietor of his right to control the transfer of the copyrighted objects, any bailee of such objects could sell them without infringing the copyright . . . . In view of the necessary role played by manufacturers, shippers, and others in producing and distributing copies of copyrighted works, . . . a copyright proprietor could not present his work to the public without risking the loss of part of his copyright protection.

Id. at 851. The court also noted that a literal reading of the statute would leave a "purchaser of a copy from a conceded pirate . . . free to resell" the copy. *Id.* Rather than looking simply at whether the lawful possession of the copy has passed, we framed the issue as "whether or not there has been such a disposition of the article that it may fairly be said that the . . . [copyright proprietor] has received his reward for the use of the article." *Id.* at 854 (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)).

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without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109.

Relying primarily on *Platt & Munk*, Bourne contends that the first sale doctrine is inapplicable here. Bourne argues that Disney, even if it lawfully possessed the videocassettes, did not acquire the videocassettes as the result of a "first sale" by Bourne, the copyright owner. Since no transfer of copies passed from Bourne to Disney, Bourne argues that no "first sale" has occurred. We disagree.

In our view, Bourne reads our decision in *Platt & Munk* too broadly. This is not a case where the party claiming the benefit of the first sale doctrine is simply a bailee that acquired a possessory interest in the goods. For example, the possessor of the copies in *Platt & Munk* was an unpaid manufacturer of goods that were alleged to be defective by the copyright proprietor who had ordered them. 315 F.2d at 849. Here, the party claiming the benefit of the first sale doctrine, Disney, was licensed by Bourne to exploit the copyrighted compositions in connection with its motion pictures. Having so licensed Disney, we do not see any good reason why Disney should not be able to dispose of these lawfully made copies as it wishes. *Accord* Nimmer, § 8.12[B][3].

Bourne also asserts that it received no "reward" for Disney's sale of copies of videocassette recordings containing the Compositions. This assertion, however, ignores the circumstances by which Bourne came to own these copyrights. As discussed above, the Compositions at issue here were created by Disney. Disney, in turn, conveyed these valuable copyrights to Bourne in exchange for, *inter alia*, a broad grant to Disney that would allow it to exploit the Compositions in connection with its motion pictures. Under the circumstances of this case, "it may fairly be said that [Bourne] has received

[its] reward for the use of the article."[4] We therefore reject Bourne's contention that Disney's sale of videocassettes constituted infringement of Bourne's exclusive right to vend.

2. Bourne's Other Contentions

Bourne objects to the district court's denial of certain ancillary relief in connection with the jury verdict in its favor on its advertising claim. We see no abuse of discretion in any of the district court's determinations regarding ancillary relief.

We have considered Bourne's remaining contentions and find them all to be without merit.

3. The Cross-Appeal

Disney's principal contention on its cross-appeal is that the district court should have entered judgment as a matter of law on its affirmative defense of estoppel. Judgment as a matter of law cannot be granted on an issue if "there is [a] legally sufficient evidentiary basis for a reasonable jury to find" to the contrary. *See* Fed. R. Civ. P. 50. Our review of the record persuades us that a reasonable trier of fact could have found that Disney had not relied detrimentally on Bourne's conduct. *See General Elec. Capital Corp. v. Armadora, S.A.*, 37 F.3d 41, 45 (2d Cir. 1994). In particular, we note that Disney continued to obtain licenses from Bourne for the use of the Compositions in television advertisements during the 1970s and mid-1980s, and that Disney's paid television

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[4] We also note that a contrary interpretation would leave Disney in the position of having received a license to produce videocassettes of its motion pictures for home viewing by consumers, but being unable to sell or otherwise dispose of the videocassettes. This would make little sense. *See* Nimmer, *supra*, § 10.10[C].

advertisements were infrequent up and through this time period. While Disney certainly provided strong evidence of estoppel, we believe that the jury was entitled to decide this issue in favor of Bourne.

We have considered Disney's remaining contentions and find them all to be without merit.

CONCLUSION

In view of the foregoing, we affirm the judgment of the district court.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

91 Civ. 344 (LLS)

94-1396

Filed July 7, 1994

BEEBE BOURNE d/b/a/ BOURNE CO.

Plaintiff,

—against—

THE WALT DISNEY CO., and BUENA VISTA HOME VIDEO,

Defendants.

JUDGMENT

This action having been bifurcated on issues as to liability and damages by the Court, and having come on for trial on the issue of liability before the Court and a jury, the Honorable Louis L. Stanton, presiding; the jury having returned a verdict for defendants on the first claim of the complaint and for plaintiff on the second claim of the complaint; the court having determined damages in the sum of $420,000; and the Court having rendered its memorandum and order on June 8, 1994 awarding plaintiff prejudgment interest, injunctive relief and costs as prescribed by 28 U.S.C. § 1920; it is

ORDERED, ADJUDGED AND DECREED that:

1. The first claim of the complaint is hereby dismissed;

2. Plaintiff shall prevail on the second claim of the complaint and is given the following relief:

a. Defendants, their officers, agents, servants, employees, successors, assignees and licensees and attorneys and those persons in active concert or participation with them who receive actual notice of this judgment by personal service or otherwise are hereby enjoined from using any of the following songs in paid television advertisements and promotions without a license from plaintiff: Bluddle-Uddle-Um-Dum; Dwarfs' Yodel Song; Figaro & Cleo; Give A Little Whistle; Heigh Ho; Hi-Diddle-Dee-Dee (An Actor's Life For Me); Honest John; I'm Wishing; I've Got No Strings; Jiminy Cricket; Little Wooden Head; Monstro The Whale; One Song; Pinocchio; Some Day My Prince Will Come; Turn On The Old Music Box; When You Wish Upon A Star; Whistle While You Work; With A Smile And A Song;

b. Plaintiff shall recover of the Defendants the principal amount of $420,000, together with prejudgment interest, as ordered by the Court, in the amount of $43,382.15, for a total of $463,382.15;

c. Plaintiff shall recover its costs, to be taxed by the Clerk of the Court in accordance with 28 U.S.C. § 1920;

d. The total of the sums awarded above shall bear interest at the rate provided by law from the date of entry of this judgment until the date paid to plaintiff.

Dated: New York, New York
July 7, 1994

LOUIS L. STANTON
U.S.D.J.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

91 Civ. 0344 (LLS)

BOURNE CO.,

Plaintiff,

—against—

THE WALT DISNEY COMPANY, et al.,

Defendants.

MEMORANDUM AND ORDER

Following an eleven-day trial, the jury returned a verdict in favor of plaintiff Bourne Co. ("Bourne") on its second claim, finding that defendants infringed Bourne's copyrights by using musical compositions from the movies "Snow White and the Seven Dwarfs" and "Pinocchio" in television advertising and promotions. On the first claim, which concerns the right to use the compositions in videocassettes, the jury found for defendants.

The parties stipulated to the sum of $420,000 in damages. Now at issue are Bourne's motions for attorney's fees, costs, prejudgment interest and injunctive relief. Bourne also moves under Fed. R. Civ. P. 60(b)(2), on the basis of newly discovered evidence, for relief from this court's order dated May 26, 1993, denying its motion for judgment as a matter of law on the first claim. Defendants move for sanctions.

1. *Relief Under 60(b)*

Bourne moves for relief from the May 26, 1993 order denying its motion under Fed. R. Civ. P. 50(b) for judgment as a

matter of law on the first claim. It argues that defendants The Walt Disney Company and Buena Vista Home Video should be estopped from asserting that Section 109 of the Copyright Act, 17 U.S.C. § 109,[1] confers the right to sell videocassettes containing Bourne's copyrighted music because in prior litigation, *Warner Bros., Inc. v. Kalish*, 1979 Copyright Law Rptr. (CCH) ¶ 25,052 at 15,282 (W.D.N.Y. August 7, 1978), they prevailed on an inconsistent interpretation of Section 109.

In order to vacate the May 26, 1993 order on the basis of newly discovered evidence, Bourne "must present evidence that is 'truly newly discovered or . . . could not have been found by due diligence.' " *United States v. Potamkin Cadillac Corp.*, 697 F.2d 491, 493 (2d Cir.), *cert. denied*, 462 U.S. 1144, 103 S. Ct. 3128 (1983), quoting *Westerly Electronics Corp. v. Walter Kidde & Co.*, 367 F.2d 269, 270 (2d Cir. 1966). *See also Scutieri v. Paige*, 808 F.2d 785, 794 (11th Cir. 1987) "Evidence that is contained in the public records at the time of trial cannot be considered newly discovered evidence.").

Bourne learned of the defendants' interpretation of Section 109 at trial, but did not raise estoppel then. Nor did it raise the argument in its Rule 50(b) motion, despite the fact that it addressed Section 109 thoroughly in its briefs. Because the *Kalish* decision, and the motion papers in that case, were a matter of public record at the time of the trial, the proffered evidence cannot be considered "newly discovered."

In any event, estoppel does not apply here. "First, the party against whom the estoppel is asserted must have argued an inconsistent position in a prior proceeding; and second, the prior inconsistent position must have been adopted by the

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[1] Section 109 states:

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

Court in some manner." *Bates v. Long Island R.R. Co.*, 997 F.2d 1028, 1038 (2d Cir.), *cert. denied*, 114 S. Ct. 550 (1993). In *Kalish*, the court found that the defendant had no rights to the copyrighted works. *Kalish*, 1979 Copyright Law Rptr. (CCH) ¶ 25,052 at 15,287. In contrast, here the jury determined that defendants lawfully acquired the right to use the musical compositions in videocassette format. Given the different factual setting, the defendants' argument that Section 109 confers the right to sell videocassettes is not estopped by defendants' argument in the earlier proceeding. Bourne's motion is denied.

Nevertheless, the motion was not frivolous, and thus the defendants' motion for sanctions is also denied. *See Oliveri v. Thompson*, 803 F.2d 1265, 1275 (2d Cir. 1986) ("rule 11 is violated only when it is 'patently clear that a claim has absolutely no chance of success.' "), *cert. denied*, 480 U.S. 918, 107 S. Ct. 1373 (1987).

2. *Attorney's Fees and Costs*

The Copyright Act states that in its discretion a court may award costs "by or against any party" and "a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. In *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023, 1033 (1994), the Supreme Court rejected the argument that prevailing parties in copyright cases "should be awarded attorney's fees as a matter of course, absent exceptional circumstances." The Court stated: "The word 'may' clearly connotes discretion. The automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of that discretion." *Id.*

Among the factors that may justify the denial of fees to a prevailing plaintiff is "the presence of a complex or novel issue of law that the defendants litigate vigorously and in good faith." *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908, 915 (D. Conn. 1980). *See also Bourne Co. v. MPL Communications, Inc.*, 678 F. Supp. 70, 72 (S.D.N.Y. 1988) ("Given the novelty of the issues involved in this action, and the lack of any bad faith on the part of the defendants, the

Court declines to award costs or attorney's fees to plaintiff."); *Encyclopaedia Britannica Educational Corp. v. Crooks*, 542 F. Supp. 1156, 1186-87 (W.D.N.Y. 1982) (interests of justice served by refusing to award fees in case involving novels, unsettled, or complex problems); *Roy Export v. Columbia Broadcasting Sys.*, 503 F. Supp. 1137, 1155 (S.D.N.Y. 1980) ("good faith or bad faith in this context depends in large part on the substantiality of the defense offered as justification for the offending act").

This case involved unsettled issues of fact and law. The trial presented the unusual question whether the term "motion picture" included television advertising and videocassettes, even though those uses were not commercially available in the 1930's when the contracts were executed. The estoppel defense based on Bourne's non-enforcement of its rights for decades, although not accepted by the jury, was a fair ground for litigation.

At the the end of an extensive and contentious period of discovery and an 11-day trial (after an earlier mistrial) Bourne prevailed on no more than half of its claims. In the exercise of discretion, its application for attorney's fees is denied. Its costs are allowed under 28 U.S.C. § 1920, to be taxed by the clerk if counsel cannot agree on the amounts.

3. *Equitable Relief*

"A plaintiff must show liability and the threat of continuing violation to be entitled to an injunction." *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1542 (S.D.N.Y. 1991). The extensive use of the musical compositions by Disney and its licensees in the past, and the difficulty of detecting infringements threaten continuing violation sufficiently for a permanent injunction requiring defendants to obtain a license before using any of the musical compositions in television advertisements and promotions is granted.

Bourne's application for an order directing defendants to account for all its unlicensed television advertisements and promotions is denied. At this point, the relief ordered should

rest upon the proof at trial. Bourne's request for the surrender and destruction of all infringing tapes and recordings is also denied. Its rights are adequately protected by the injunction.

4. *Prejudgment Interest*

In stipulating to $420,000 in damages, Bourne specifically reserved its right to seek prejudgment interest. (Affidavit of Sanford M. Litvack sworn to January 24, 1994, ex. A.) Although the Copyright Act is silent as to prejudgment interest, and the issue "remains unresolved in this Circuit," *In Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 569 (2d Cir. 1994), the court finds that such an award is necessary for Bourne to be sufficiently compensated. *See Kleiser Advertising, Inc. v. Premier Pontiac, Inc.*, 921 F.2d 1036, 1041 (10th Cir. 1990) ("It would be 'anomalous' to hold that a plaintiff would be entitled to recover profits flowing from infringement but not revenue generated by the use of the profits").

Accordingly, Bourne is awarded prejudgment interest based on the 52-week United States Treasury bill rate in effect on the date of each of the respective infringement.[2]

CONCLUSION

Bourne's motions to vacate the May 26, 1993 order, and for attorney's fees are denied. Defendants' motion for sanctions is also denied. Bourne's request for equitable relief other than the injunction is denied. Bourne's motions for costs and prejudgment interest are granted as stated above. Defendants are enjoined from using any of the musical compositions in television advertising and promotions without a license.

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[2] This rate is consistent with 28 U.S.C. § 1961(a), which applies the 52-week Treasury bill rate to awards of post-judgment interest. *See Ingersoll Milling Machine Co. v. M/V Bodena*, 829 F.2d 293, 311 (2d Cir. 1987) ("the rate of interest used in awarding prejudgment interest rests firmly with the sound discretion of the trial court"), *cert. denied*, 484 U.S. 1042, 108 S. Ct. 774 (1988).

Submit a proposed judgment, on consent as to form if possible, within twenty days.

So ordered.

Dated: June 8, 1994
New York, New York

LOUIS L. STANTON

LOUIS L. STANTON
U.S.D.J.

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

No. 91 Civ. 344 (LLS)

Dated December 1, 1992

BOURNE CO.

—v.—

THE WALT DISNEY COMPANY, BUENA VISTA HOME VIDEO, TOWER RECORDS, INC., BARNES & NOBLE BOOKSTORES, INC., RECORD EXPLOSION, INC., BLOCKBUSTER ENTERTAINMENT CORP., RKO WARNER VIDEO, INC., and DOES 1 THROUGH 100.

STANTON, *District Judge*:

Bourne Co. ("Bourne") brought this action alleging that defendants have infringed its copyrights to musical compositions from the movies "Snow White and the Seven Dwarfs" and "Pinocchio." Defendants move for summary judgment pursuant to Fed.R.Civ.P. 56.

Defendants argue that because Bourne renewed its copyrights under the name of a previously dissolved corporation, "Bourne, Inc.," rather than its true name, "Bourne Co.," the copyrights are invalid and unenforceable in this action. *See International Film Exchange v. Corinth Films,* 621 F.Supp. 631, 635 (S.D.N.Y. 1985) (Licensee could not validly renew copyright).

The Second Circuit has stated, however, that the copyright statute "grants valuable rights to persons who create subject matter which is copyrightable and that useless technicalities are not to be allowed to cut down the benefits conferred." *United States v. Backer,* 134 F.2d 533, 536 (2d. Cir. 1943). In *Backer,* the court held that because "appellant was not prejudiced," a mistake in the timing of the copyright application was not enough to invalidate the copyright. Citing *Backer,* the court in *Pantone, Inc. v. A.I. Friedman,* 294 F. Supp. 545 (S.D.N.Y. 1968), declined to invalidate a copyright even though the application was in the name of "Pantone Press, Inc." rather than its true name, "Pantone, Inc." *See also, Alart Associates, Inc. v. Aptaker,* 279 F. Supp. 268, 270 (S.D.N.Y. 1968):

> [D]efendants do not point to any prejudice suffered by them or the public as a result of plaintiff's mistake. On the contrary, the name "Alart, Inc." appears sufficiently close to plaintiff's full name to identify plaintiff as the copyright owner, so that the public would be aware of the existence of its copyright and not be misled. In the absence of prejudice, an innocent clerical error in the application and certificate of registration, unaccompanied by fraud, does not invalidate the copyright or render it incapable of supporting an infringement action.

In another decision, coincidentally involving The Walt Disney Company and musical compositions from "Snow White," the court found that the difference between "The Thornton Allen Company," the name under which the copyright was registered, and "T.W. Allen Company," the name under which the individual plaintiff had filed the requisite certificate that he was doing business, was "a slight variation and is not material." *Allen v. Walt Disney,* 41 F. Supp. 134, 135 (S.D.N.Y. 1941). *See also, Thomas Wilson & Co. v. Irving J. Dorfman Co.,* 433 F.2d 409, 412 (2d Cir. 1970) (fact that president of corporation, rather than corporation, was named as author on application did not affect validity of copyright because error was made in good faith).

The copyright renewals at issue here were filed under the name "Bourne, Inc." even though that company had been dissolved and all rights to the musical compositions had passed to Bonnie Bourne, doing business as "Bourne Co. Defendants, however, have not shown that they were prejudiced by the error, or that the public was in any way misled as to the true owner. Bonnie Bourne, in fact, was the sole owner of both Bourne entities. In the absence of prejudice or fraud this court will "preserve copyrights rather than invalidate them on the basis of minor defects in registration certificates." *Huk-a-Poo Sportswear, Inc. v. Little Lisa, LTD.*, 74 F.R.D. 621, 624 (S.D.N.Y., 1977).

Accordingly, Defendants' motion is denied.

So ordered.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

No. 2143, Docket 92-7701

Argued Aug. 12, 1992

Decided Sept. 29, 1992

BOURNE CO.,

Plaintiff-Appellee,

—v.—

TOWER RECORDS, INC., BARNES & NOBLE BOOKSTORES INC., RECORD EXPLOSION, INC., BLOCKBUSTER ENTERTAINMENT CORP., RKO WARNER VIDEO, INC., DOES # 1-# 100,

Defendants,

THE WALT DISNEY COMPANY and
BUENA VISTA HOME VIDEO,

Defendants-Appellants.

SANFORD M. LITVACK, The Walt Disney Co. (Peter Herbert, Richard S. Mandel, Alasdair J. McMullan, Cowan, Liebowitz & Latman, New York City, of counsel), for defendants-appellants.

JAY GORDON, New York City (Janet P. Kane, Theodore C. Max, Robert N. Fass, Shelley Moroff, Phillips, Nizer, Benjamin, Krim & Ballon, of counsel), for plaintiff-appellee.

Before

WINTER, MINER and MCLAUGHLIN,
Circuit Judges.

WINTER, Circuit Judge.

Walt Disney Company ("Disney") and Buena Vista Home Video appeal from a preliminary injunction issued by Judge Stanton, barring their use of songs from the movie "Pinocchio" ("the songs") on videocassette trailer advertisements. Because the district court gave insufficient weight to Bourne Co.'s delay in seeking relief and mistakenly considered the challenged use "new", we reverse.

In 1939, Disney entered into an agreement with Bourne, in which it assigned to Bourne copyrights to the songs from the movie "Pinocchio", including the famous "When You Wish Upon A Star" ("Wish Upon A Star"). The parties disagree about the effect of this agreement. Disney claims the agreement gave Bourne only the right to collect licensing fees from third parties and to keep fifty percent of the fees received, leaving Disney free to use the songs for its own purposes. Bourne claims that Disney ceded all rights to the songs, except for the right to employ them in public performances of motion pictures.

Whatever the meaning of the contract, Disney exercised for decades its claimed rights without protest by Bourne. Beginning in 1954, Wish Upon A Star opened and closed Disney's weekly television series. Both Wish Upon A Star and the series were used to promote Disneyland. In addition, Disney's national advertising campaign featured Wish Upon A Star. Disney's uses of the songs kept pace with technological development. When home movie projectors became popular, the songs accompanied reel-to-reel movies sold solely for home use. When video-technology developed, Disney employed the new technology in distributing the movie "Pinocchio" for home viewing in at least twenty-three countries. It has also used the songs on a wide variety of video-

cassettes. In sum, the songs have been used for decades in a wide variety of media in ways that are inconsistent with Bourne's view of its agreement with Disney.

After decades of Disney's use of the songs for purposes other than the public performances of motion pictures, Bourne first objected in 1981. Disney rejected Bourne's claims. Bourne was silent until 1986 when it objected again. Disney again rejected Bourne's claims. Finally, in January 1991, Bourne commenced the instant action. Subsequently, Euro Disney S.A. ("EDSA") (a Disney subsidiary that manages Euro Disney) requested licenses from Bourne, intending to promote Euro Disney with Wish Upon A Star. One of the proposed promotions was a videocassette advertising trailer using Wish Upon A Star. Disney claims that the requests were a mistake and that it continued to negotiate for the licenses solely to avoid litigation that might interfere with the scheduled opening of Euro Disney. Eventually, EDSA withdrew its request but agreed to obtain licenses for the other proposed promotions. These events evidently prompted Bourne to seek the preliminary injunction barring the use of Wish Upon A Star and the songs on videocassette advertisements that is the subject of this appeal.

Judge Stanton granted Bourne's request, ruling that videocassette trailers were a new use of the songs to which Bourne had promptly objected. In his view, this prompt objection established a presumption of irreparable harm for the new infringement. This appeal followed.

As the district court noted:

> [A] preliminary injunction may be granted only upon a showing of "(a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting [the preliminary] relief."

Bourne v. The Walt Disney Company, 1992 WL 170686, at *2, 1992 U.S.Dist. LEXIS 9853, at *6 (S.D.N.Y. July 1, 1992)

(quoting *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir.1985)). Bourne has failed as a matter of law to demonstrate irreparable harm. This is a case in which the actions of the parties speak louder than the after-the-fact arguments of their lawyers. The best evidence of the lack of urgency in Bourne's need for preliminary relief is its own course of conduct in failing to object for several decades to pervasive violations of what it now claims are its contractual rights. Faced with this record of inaction, we will not now presume that Disney's present actions threaten severe, much less irreparable, harm.

To be sure, irreparable harm is presumed when plaintiff establishes a *prima facie* case of copyright infringement. *See, e.g., Video Trip Corp. v. Lightning Video, Inc.*, 866 F.2d 50, 51-52 (2d Cir.1989). However, it is equally settled that a party's delay in the enforcement of copyrights rebuts that presumption. For example, in *Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir.1985), we held that the presumption of irreparable harm did not survive even a ten-week delay from discovery of the claimed infringement to commencement of the lawsuit. Citibank waited "more than ten weeks after it learned directly of Citytrust's plans" to expand into Long Island before seeking an injunction. *Id.* at 276. We held that "Citibank's failure to act sooner 'undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury.' " *Id.* at 277 (quoting *Le Sportsac, Inc. v. Dockside Research, Inc.*, 478 F.Supp. 602, 609 (S.D.N.Y.1979)). Bourne has delayed for decades, and any presumption of irreparable harm clearly perished long ago.

The district court granted preliminary relief on the grounds that videocassette trailers are a new use and that Bourne's prompt objection to such a new use revived the presumption of irreparable harm that normally accompanies a claim of copyright infringement. We disagree.

Citibank involved Citibank's objection to a new Citytrust branch office that would handle only commercial loans. The prior use that we held to be a rebuttal of the presumption of

irreparable harm was neither a branch office nor specifically related to commercial loans. We thus stated:

> Any sense of urgency is further undercut by additional facts. Long before this dispute over its Long Island branch had arisen, Citytrust had advertised its services in the New York media, apparently, as Citibank asserts in its appellate brief, as early as 1980. Citytrust placed ads in the *New York Times* in October 1982 advertising its "insured money market plus account." Similarly, Citytrust apparently advertised on New York City radio stations in either 1982 or 1983.

Id. Acquiescence to radio and newspaper advertisements rebutted any presumption that the opening of a branch office caused irreparable harm. *Citibank* thus held that prior acquiescence in the use of an allegedly infringing name to advertise banking services generally belies a claim of irreparable harm arising from the use of that name to solicit the specific business of commercial loans. Properly understood, *Citibank* holds only that acquiescence in an infringement rebuts the presumption of irreparable harm where the allegedly "new" use does not inflict harm qualitatively different from the harm flowing from the prior infringement.

We also agree with, and adopt, the holding of *Gear, Inc. v. L.A. Gear California, Inc.*, 637 F.Supp. 1323 (S.D.N.Y.1986). The plaintiff in *Gear* was on notice that the defendants were aggressively marketing and developing a range of products that could, and at times did, infringe on plaintiff's trademarks. When defendants began a new infringing use, plaintiff sought a preliminary injunction. Judge Haight denied the request, ruling that:

> In these circumstances, defendants' continued expansion into new activities cannot be considered a qualitative change. Plaintiff was on notice a year before it filed suit and more than a year before seeking preliminary relief that defendants intended to continue to use "L.A. Gear" on various product lines, including one directly competitive with a "Gear" line; that defendants were seeking

> to register the "L.A. Gear" mark; and that defendants denied plaintiff's claim of infringement. It is too late in the day for plaintiff now to claim irreparable injury.

Id. at 1332-33.

The facts of *Gear* are similar to, but less egregious than, the instant case. Disney has used the songs, including Wish Upon A Star, to advertise or accompany its products for decades. The harm caused by this use is qualitatively similar—often identical—to the harm alleged in Bourne's complaint. Disney's conduct over the decades clearly signaled its intentions to use the songs for a multitude of purposes and in new media forms as technology developed. Whatever presumption Bourne might have enjoyed over a generation ago is long gone.

We need not address the precise circumstances in which a truly new use of a name or song will revive the presumption of irreparable harm. We do note, however, that the perceived harm from the new use must be so qualitatively different from the harm flowing from the prior uncontested use that the injured party could not reasonably foresee the new harm. Where the quality of the new harm is not foreseeable, the injured party's earlier forebearance does not support an inference that it perceived no injury worthy of legal action. However, where the prior harm reasonably alerts the injured party to the infringer's future intentions, the injured party must act or cannot expect to obtain preliminary relief when it later brings suit. The use of Wish Upon A Star to advertise Euro Disney on videocassettes neither caused a qualitatively different harm nor was unforeseeable. Bourne has thus failed to establish irreparable injury and is not entitled to an injunction.

We therefore reverse.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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91 Civ. 0344 (LLS)

BOURNE CO.,

Plaintiff,

—against—

THE WALT DISNEY COMPANY, et al.,

Defendants.

OPINION AND ORDER

Plaintiff Bourne Co. ("Bourne") moves for a preliminary injunction restraining defendants (collectively "Disney") from producing, manufacturing, distributing, or promoting any videocassettes which use the musical composition "Little Wooden Head" in a sing-along format, and from performing or using television advertisements incorporating the musical compositions "When You Wish Upon A Star" (Wish) or "Heigh Ho."

BACKGROUND

In an Opinion and Order dated July 2, 1992 ("*Bourne I*"), (familiarity with which is assumed) this court granted Bourne's motion for a preliminary injunction restraining Disney from producing, manufacturing, distributing, or promoting any videocassettes, with certain exceptions as stated in *Bourne I*, which use Wish or any other song subject to the Pinocchio agreement in advertising or promotional trailers.

1. *The Pinocchio and Snow White Agreements*

The musical compositions Wish and Little Wooden Head were both originally written for Disney for use in the animated motion picture "Pinocchio." Thereafter, pursuant to a written agreement executed in 1939, Disney assigned the copyrights to all the Pinocchio songs to Irving Berlin, Inc. ("Berlin"), Bourne's predecessor in interest, in return for an agreement that Berlin would pay Disney a fee each time it published a Pinocchio song, and that it would share with Disney any licensing revenues from those songs. Berlin also gave to Disney a limited license-back, as follows:

> [W]e hereby grant to you . . . the non-exclusive right to mechanically and/or electrically record the said musical compositions and/or lyrics, if any, in synchronism with any and all of the motion pictures which may be made by you and the right to export such recordings to all of the countries of the world, and the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized. . . . . Upon your request we will deliver to you a separate synchronization license duly executed by us in terms as broad as stated in this paragraph.

(Complaint, Exh. D, ¶ 3).

The musical composition Heigh Ho was originally written for Disney for use in the animated motion picture, "Snow White." Thereafter, pursuant to a written agreement executed in 1937, Disney assigned the copyrights to all the Snow White songs to Berlin, in return for an agreement that Berlin would pay Disney a fee each time it published a Snow White song, and that it would share with Disney any licensing revenues from those songs. The Snow White agreement did not contain a license-back to Disney (Complaint, Exh. A). On July 26, 1974, Mr. Walter S. Beck of the law firm Phillips, Nizer, Benjamin, Krim & Ballon, counsel for Bourne, wrote a letter (the "Beck letter") to Mr. Peter F. Nolan, Disney's in-house counsel, which stated:

> There can be no question but that the original 1933 agreement conveying the compositions and copyrights to Bourne, reserved in you the right to employ—without any royalty or other obligation to Bourne—the "Snow White" music for any of your television or motion picture presentations of your dramatic musicals.

6/30/92 Nolan Dec., Exh. L.

Since 1932, Disney has made extensive use of many of the Pinocchio and Snow White songs in all visual media, without licenses. Disney has, on other occasions, requested and obtained a synchronization license to use those songs for visual productions.

2. *Little Wooden Head and Sing-Along Videocassettes*

Disney used Little Wooden Head without a license in a 1961 theatrical trailer advertising the theatrical release of "Pinocchio." Disney has also used Little Wooden Head sporadically over the years in various Disney television productions. Little Wooden Head appears on the videocassette version of Pinocchio which Disney has been producing and selling since 1985 (7/8/92 McMullan Dec. ¶ 9; 6/29/92 Richman Dec. ¶ 7).

In or about 1987, Disney began releasing a series of sing-along videocassettes. Each sing-along videocassette shows video clips synchronized with songs while the lyrics to the songs appear at the bottom of the screen with a "bouncing ball," sometimes in the shape of Mickey Mouse's head, so that viewers can sing to the music. Volumes One through Four and Volume Seven in the series each used a Pinocchio song. Volume One used a version of the Pinocchio song "Hi Diddle Dee Dee" which includes additional lyrics of that song which are subject to Bourne's copyright and which were apparently edited out of the original Pinocchio "Hi Diddle Dee Dee" sequence. There are also variations between the sing-along versions of "Give A Little Whistle" and Wish and the original Pinocchio versions of those songs (7/8/92 Richman Dec. ¶ 3).

Volume Ten in the sing-along series, entitled "Be Our Guest" was released on or about June 19, 1992. It uses, without a license, a version of Little Wooden Head (and printed lyrics of that version) which includes additional lyrics of that song which are covered by Bourne's copyright, which were apparently edited out of the original Pinocchio Little Wooden Head sequence, and which apparently have never before been utilized by Disney, either with or without a license (the "additional lyrics").

3. *Wish and Heigh Ho*

Disney has made extensive use of Wish on television without a license. It used Wish in the opening and closing of its weekly, prime-time television series, which aired under various names from 1954 until 1983. Since 1983, Disney has also used Wish for various programs on the Disney Channel cable service.

Disney has used Wish in television advertising promoting its videocassettes, its theme parks, and the release of the Pinocchio videocassette. It used Wish in its "Disappearing Classics" advertisements promoting various Disney videocassettes including "Bambi," "The Little Mermaid," and "Cinderella." Disney's television campaign entitled "What's Next," which uses Wish without a license, has run from 1987 to the present.

Disney has used Heigh Ho without a license in approximately fifteen different television advertisements for the 1987 re-release of "Snow White" (Mantle Dec. ¶ 3). In addition, Disney has used Heigh Ho without a license in various theatrical trailers and television programs over the past forty years, and in Volume One of its sing-along videocassette series (*id.*; 6/30/92 Nolan Dec. ¶ 5; 6/30/92 Richman Dec. ¶ 3).[1]

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[1] Bourne seeks an order pursuant to Fed. R. Civ. P. 37, precluding defendants from relying on the Mantle Declaration and on Exhibit I in support of that declaration, on the grounds that Ms. Mantle ought to have been identified as a witness and the information in Exhibit I ought to have been produced to Bourne before the discovery cut-off date of June 12, 1992. (See 7/17/92 Fass Aff. ¶¶ 23-24).

In or about the middle of June, 1992, Disney released the two new television advertisements at issue here. The first one uses Heigh Ho to promote Volume Ten of Disney's sing-along videocassette series. The second uses Wish to promote the theatrical re-release of "Pinocchio."

On June 26, 1992, Bourne brought the instant motion for a preliminary injunction enjoining the sing-along version of Little Wooden Head which appears on "Be Our Guest" and the two television commercials.

DISCUSSION

"[A] preliminary injunction may be granted only upon a showing of '(a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.' " *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985), quoting *Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979).

To show likelihood of success on the merits, Bourne must establish *prima facie* copyright infringement by showing that

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Disney has been warned by the court that evidence not produced may be subject to an order of preclusion. I appreciate, however, the difficulties that Bourne's requests for discovery present to Disney and Disney's other recent obligations in this action.

Nevertheless, the Fass affidavit makes a strong, detailed showing that Disney's failure to identify Ms. Mantle or to produce the advertising information on Exhibit I before June 12, 1992 is punishable. Disney claims, without any specifics, that it could present facts and legal arguments showing that no sanctions should be imposed (*See* 7/21/92 Herbert Letter; Def. 7/9/92 Mem. of Law at 3 n.1).

For the purpose of this equitable motion, I am taking account of the above evidence. Questions such as whether Bourne has suffered prejudice, whether Disney makes the showing it claims it can, whether the evidence should be excluded at trial, or whether a lesser sanction is appropriate, all remain open. *See Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.3d 67, 70-72 (2d Cir. 1988) (explaining circumstances where order of preclusion was within discretion of magistrate).

it owns valid copyrights, and that Disney has engaged in unauthorized copying. *See Hasbro Bradley*, 780 F.2d at 192.

Ordinarily, when a copyright plaintiff makes a *prima facie* showing of infringement, the evidence of irreparable harm need not be very detailed, because irreparable harm is presumed. *See Video Trip Corp. v. Lightning Video, Inc.*, 866 F.2d 50, 51-52 (2d Cir. 1989); *Wainwright Secs., Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978); *Dynamic Solutions, Inc. v. Planning & Control, Inc.*, 646 F. Supp. 1329, 1337 (S.D.N.Y. 1986). *Cf. Church of Scientology Int'l v. Elmira Mission*, 794 F.2d 38, 43 (2d Cir. 1986) (in trademark case, "a licensor's plea for injunctive relief is stronger than the ordinary trademark plaintiff's and—because of the necessity of licensor control—irreparable harm *always* flows from unlawful use and confusion.") (emphasis in original).

Bourne asserts that Disney has usurped Bourne's ability to control the extent and scope of the use of its copyrighted material; that if Disney is not enjoined, other users might also be encouraged to infringe Bourne's copyrights; and that continued erosion of Bourne's position will impair its ability to negotiate with other authors and composers when acquiring musical compositions and catalogs (4/15/92 Bourne Aff. ¶¶ 4, 10). As a licensor, Bourne's continued and growing inability to control the use of its copyrighted songs for commercial purposes is sufficient to establish irreparable harm. Furthermore, because copyright credit on the "Be Our Guest" videocassette is given to Disney, rather than to Bourne, the public may be misled as to who holds the copyright to Little Wooden Head. (*See* 7/18/92 Bourne Aff. ¶ 7).

Disney argues that Bourne's delay in seeking legal relief rebuts the copyright law presumption of irreparable harm, and requires the contrary presumption that Bourne is not suffering irreparable harm. *See, e.g., Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985) (delay in seeking legal relief for trademark[2] infringement rebuts the presumption that the

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[2] Bourne argues that *Citibank*, a trademark case, does not apply to copyright cases. That position is rejected for the reasons stated in *Bourne I*.

infringement is causing irreparable harm); *Majorica, S.A. v. R. H. Macy & Co.*, 762 F.2d 7, 8 (2d Cir. 1985) (preliminary injunction in trademark case cannot issue because of delay in seeking injunction); *Business Trends Analysts v. Freedonia Group, Inc.*, 650 F. Supp. 1452, 1459 (S.D.N.Y. 1987).

A. *LITTLE WOODEN HEAD*

1. *Irreparable Harm*

Disney contends that Bourne's failure to seek legal relief with respect to prior uses of Little Wooden Head and prior sing-along videocassettes using other Pinocchio songs with printed lyrics and additional lyrics precludes Bourne from obtaining a preliminary injunction to halt Disney's current infringement of Little Wooden Head. Disney relies on *Citibank*, 756 F.2d at 277, and on *Gear, Inc. v. L.A. Gear California, Inc.*, 637 F. Supp. 1323, 1332-33 (S.D.N.Y. 1986):

> In these circumstances, defendants' continued expansion into new activities cannot be considered a qualitative change. Plaintiff was on notice a year before it filed suit and more than a year before seeking preliminary relief that defendants intended to continue to use "L.A. Gear" on various product lines, including one directly competitive with a "Gear" line; that defendants were seeking to register the "L.A. Gear" mark; and that defendants denied plaintiff's claim of infringement. It is too late in the day for plaintiff to claim irreparable injury.

Here, for the first time, Disney printed the lyrics of Little Wooden Head and used the additional lyrics.[3] Bourne moved without delay to halt this use. For that and the reasons stated in *Bourne I*, *Citibank* is not applicable to this case.

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[3] Bourne also argues that the prior Disney videocassette uses of Little Wooden Head were in dramatic rather than in sing-along formats. That point need not be reached.

Gear, Inc. is likewise distinguishable. In *Gear, Inc.*, defendants infringed the same trademark on various product lines, The court held that there was no qualitative difference between infringing a trademark on one competing product line and infringing the same trademark on a different competing product line. Here, Disney's new use of Little Wooden Head is qualitatively different from Disney's prior uses of that song, which did not include the printed or additional lyrics. The right to print the lyrics of Little Wooden Head is qualitatively different from the right to synchronize that song with a visual image.

Disney asserts that the copyrights to all the Pinocchio songs were conveyed to Bourne under one contract, and therefore Disney's rights with respect to Little Wooden Head are presumably identical to Disney's rights with respect to any other Pinocchio song. Disney argues that therefore, "There is no logical or legal basis for distinguishing among the 'Pinocchio' songs in assessing the absence of irreparable harm arising out of prior uses." (Def. 7/9/92 Mem. of Law at 6).

However, for the purpose of determining whether Bourne is suffering irreparable harm, each copyrighted song is to be considered individually. The harm to a licensor caused by the infringement of one of its copyrights is not the same harm caused by the infringement of a different copyright, even if the licensor obtained the copyrights under one contract. *Cf. Stone v. Williams*, No. 91-7706, slip op. 5489, 5499 (2d Cir. July 13, 1992) ("Each act of infringement is a distinct harm giving rise to an independent claim for relief."), citing *Mount v. Book-of-the-Month Club, Inc.*, 555 F.2d 1108 (2d Cir. 1977).

Under the copyright law, the presumption that Bourne is suffering irreparable harm because of Disney's new use of Little Wooden Head (here buttressed by Bourne's specific showing of irreparable harm) is not rebutted by the fact that Bourne did not in the past move to stop Disney's similar uses of other Pinocchio songs.

2. *The Merits*

It appears to be common ground that Bourne holds a valid copyright to Little Wooden Head, and that Disney has copied it. The parties dispute whether the copying is authorized under the Pinocchio agreement. In *Bourne I*, this court concluded that "Bourne has the better of the argument that its license-back did not permit videocassette uses."

Disney raises the defenses of laches and equitable estoppel. In *Bourne I*, this court concluded that with respect to videocassette uses, those defenses "do no more than raise sufficiently serious questions going to the merits to make them a fair ground for litigation."

It should be noted that Bourne's delay with respect to television uses is not imputed to the dispute regarding videocassette uses, because Bourne's silent toleration of Disney's television uses may have been due to Bourne's recognition that its rights in that regard are questionable (*See* Section B(2) infra). Only the period of Bourne's silent toleration of Disney's unauthorized videocassette uses is relevant to the issue whether Disney can successfully invoke its equitable defenses to protect videocassette uses.

Furthermore, even if, through laches, Disney had acquired the right to use the Pinocchio songs on videocassettes, that would not give it the right to print the lyrics of those songs, a right which appears to rest exclusively with Bourne. Bourne has therefore demonstrated likelihood of success on the merits of its claim regarding Little Wooden Head.

3. *The Balance of Hardships*

Even if Bourne shows only sufficiently serious questions going to the merits to make them a fair ground for litigation, a preliminary injunction should issue because the balance of hardships tips decidedly in Bourne's favor.

Disney argues that the balance of hardships does not tip decidedly in Bourne's favor, because of the severe harm a preliminary injunction would cause to Disney. Disney claims that it "will be forced to incur over $1 million in damages and in the expenses necessary to delete the song at issue from the

videos, change the packaging and reship the videos." (Def. 7/9/92 Mem. of Law at 9).

As explained in *Bourne I*, the balance of hardships tips decidedly in favor of Bourne, the copyright holder, in its quest to maintain the status quo and to prevent Disney from expanding its infringing activity to printing the lyrics and using the additional lyrics of Bourne music which Disney has not used in this way before.

B. *WISH AND HEIGH HO*

1. *Irreparable Harm*

It is undisputed that Disney has used both Wish and Heigh Ho in television productions and television advertisements years before June, 1992, and that Bourne took no steps to halt those uses. Bourne urges that Disney has never before used the particular advertisements at issue, that Disney has never before used Heigh Ho to advertise a sing-along videocassette; that Disney has only once used Wish to advertise "Pinocchio," and that the new commercials aim at a new generation of children who have not seen the prior infringing commercials (*See* Pl. Reply Mem. of Law at 13).

However, there is no qualitative difference between the type of infringement Bourne has tolerated in the past and the type of infringement at issue here. Under *Citibank* and its progeny, Bourne's failure to seek legal relief with respect to Disney's prior uses of the same songs, Wish and Heigh Ho, in television advertisements creates the presumption that the harm from the new television commercials will not be irreparable. Therefore, no preliminary injunction will issue with respect to those uses of the those songs. *See College Entrance Examination Board v. Cuomo*, 788 F. Supp. 134, 144-45 (N.D.N.Y. 1992); *Grondin v. Rossington*, 690 F. Supp. 200, 209 (S.D.N.Y. 1988); *Gear, Inc. v. L.A. Gear California, Inc.*, 637 F. Supp. 1323, 1332-33 (S.D.N.Y. 1986).

2. *The Merits*

In *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 152-55 (2d Cir.), *cert. denied*, 393 U.S 826 (1968), the Court of Appeals for the Second Circuit held that under New York law a contract executed in 1930, which gave the licensee the right "to copyright, vend, license and exhibit such motion picture photoplays throughout the world," included the right to exhibit the copyrighted motion picture by television:

> [T]he licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license . . . . If the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor . . . .

Id. at 155 (citations omitted).

Under New York law, where the ambiguous words of a license can be construed to cover a disputed use, the controlling factor appears to be whether that disputed use was known and could have been contemplated when the parties signed their agreement: if it was, the use is permitted. If it was not, the use is prohibited. *See id.* at 154-55; *Kirke La Shelle Co. v. Paul Armstrong Co.*, 263 N.Y. 79, 82-86 (1933). The *Bartsch* court found that television technology was available in 1930. 391 F.2d at 154. Assuming a similar finding here (although no evidence on the point has yet been offered), it appears that Disney has the better of the argument that the Pinocchio license-back does permit television uses. Further, in the Beck letter Bourne apparently conceded that Disney has the right to use the Snow White songs without a license in television productions.[4]

Disney raises the defenses of laches and equitable estoppel. It claims that it is prejudiced by Bourne's delay in asserting its rights which makes it harder for Disney to support its interpretation of the contract since all persons known to be involved in the negotiation of the contract, and many of those

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[4] As stated in *Bourne I*, whether advertisements are permitted is unresolved. Nor did the Beck letter concede advertising rights to Disney.

involved in its interpretation over the years, have died. *Bourne I* held that if the contract was interpreted as a matter of law in Bourne's favor with respect to videocassette uses, the unavailability of witnesses might be immaterial. However, it seems unlikely that the contract will be interpreted as a matter of law in Bourne's favor with respect to television uses. If the Pinocchio license-back is found to be ambiguous about whether television advertisements are permitted, the unavailability of witnesses might be so prejudicial as to invoke the bar of laches. Similarly, the 1974 Beck letter may equitably estop Bourne from attacking television uses of the Snow White songs.

Thus it cannot be regarded as likely that Bourne will succeed on the merits of its current claims regarding Wish and Heigh Ho.

CONCLUSION

So much of Bourne's motion as seeks a preliminary injunction enjoining defendants from using Wish and Heigh Ho in television advertisements is denied. The motion is granted to the extent that defendants are enjoined from using Little Wooden Head in a sing-along format on videocassettes with printed lyrics, or with the additional lyrics.

Dated: New York, New York
August 6, 1992

LOUIS L. STANTON

LOUIS L. STANTON
U.S.D.J.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

91 Civ. 0344 (LLS)

BOURNE CO.,

Plaintiff,

—against—

THE WALT DISNEY COMPANY, et al.,

Defendants.

OPINION AND ORDER

Plaintiff Bourne Co. ("Bourne") moves for a preliminary injunction restraining defendants The Walt Disney Company and Buena Vista Home Video (collectively "Disney") from producing, manufacturing, distributing, or promoting any videocassettes which use the musical composition "When You Wish Upon A Star", ("The Song") in advertising or promotional trailers.

BACKGROUND

In or about 1939, Disney, as an employer for hire, caused to be written and composed twelve original musical compositions ("the Pinocchio songs" or "the songs"), including The Song, for use in its animated motion picture, Pinocchio.

Disney thereafter entered into a written agreement with Irving Berlin, Inc. ("Berlin"), a predecessor-in-interest of Bourne, under which Disney assigned to Berlin all rights, title, and interest, including copyright and renewal rights, in

the Pinocchio songs. In return, Berlin agreed to make certain payments to Disney each time Berlin published any of the songs and to share with Disney any licensing fees it received from third party licensees of the songs. Berlin also gave to Disney a license-back, as follows:

> [We] hereby grant to you . . . the non-exclusive right to mechanically and/or electrically record the aid musical compositions and/or lyrics, if any, in synchronism with any and all of the motion pictures which may be made by you and the right to export such recordings to all of the countries of the world, and the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized. . . . . Upon your request we will deliver to you a separate synchronization license duly executed by us in terms as broad as stated in this paragraph.

(Complaint, Exh. D, ¶ 3). Disney contends that this agreement "permits Disney the unfettered right to freely synchronize the Pinocchio Compositions with any of its own visual productions." (4/23/92 Nolan Dec., ¶ 10). Bourne contends that this agreement permits Disney to use the songs in its feature films and to show those films publicly anywhere in the world.[1]

Since 1932, Disney has made extensive use of the Pinocchio songs in all visual media, without a license. Disney has, on other occasions, requested and obtained a synchronization license to use the songs for visual productions. On April 8, 1981 Disney requested a fee quotation for a synchronization license to use The Song "as a background instrumental in a movie trailer for our summer release of 'THE FOX AND THE HOUND.' " (5/1/92 Bourne Aff, Exh. 2).[2]

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[1] Disney apparently concedes that it must pay royalties for some uses, such as radio advertisements, which do not involve synchronizing the songs with a visual recorded image (See 5/6/92 Nolan Dec. ¶ 3)

[2] There is no evidence that this license was ever granted, or that Disney ultimately used the music without a license.

Since 1932, Disney has sold, without a license, reel-to-reel movies for home use, on which the Pinocchio songs appeared. In 1962, Disney released a home movie, "Disney After Dark" which used The Song to promote its California theme-park.

Since 1980, Disney has been releasing, without a license, videocassettes that use the Pinocchio songs. In 1985 it released the movie Pinocchio on videocassette, along with all of its songs. In 1980, Disney released the videocassette "Disneyland Fun," which uses The Song to promote its theme-park. Disney has also used The Song on videocassettes such as "Disney's Greatest Lullabies Vol. 1," and "Simply Mad About The Mouse."

Disney has also used The Song on television without a license. It used The Song in the opening and closing of its weekly, prime-time television series, which aired under various names from 1954 until 1983. Since 1983, Disney has also used The Song for various programs on the Disney Channel cable service.

Disney has used The Song in television advertising, promoting its videocassettes and its parks. Its television campaign entitled "What's Next, which uses The Song without a license, has run from 1987 to the present.

However, until immediately before Bourne moved for a preliminary injunction, Disney has never used The Song as a trailer advertisement appended to a videocassette home-release, feature length movie.

In January, 1991 Bourne brought this suit to recover damages for Disney's allegedly infringing uses of the Pinocchio songs on television, videocassette, and for advertising and promotion, arguing that those uses are not covered by the license-back provision of the Pinocchio agreement.

On October 15, 1992 Euro Disney, S.C.A.[3] began negotiating with Bourne for licenses to use The Song in various media, including a license to use The Song in an advertising

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[3] For the purposes of this motion, it is not necessary to determine whether The Song is being used by a third-party, Euro Disney S.C.A., or by a wholly-owned subsidiary, Euro Disney S.A., because Bourne's motion for preliminary injunction includes Disney and its wholly owned entities.

trailer promoting the park, appended to the home-video release of the Disney movie "The Rescuers Down Under" (4/9/92 Bourne Aff., Exhs 1-10). Although the parties successfully negotiated licenses for all of Euro-Disney's other requests, they did not come to terms on a videocassette trailer license (*Id.*, Exhs 10-12). Ultimately, Disney released the videocassette trailer without a license. Bourne now moves for a preliminary injunction enjoining Disney from using the Pinocchio songs for videocassette trailer advertisements and for a recall of all released videocassettes which contain any advertisement or promotion using any of the Pinocchio songs.

DISCUSSION

"[A] preliminary injunction may be granted only upon a showing of '(a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting relief.' " *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (quoting *Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979)).

A. *Irreparable Harm*

Ordinarily, in a copyright case, if plaintiff demonstrates a *prima facie* case of copyright infringement, the showing of irreparable harm need not be very detailed, because irreparable harm is presumed. *See Video Trip Corp., v. Lightning Video, Inc.*, 866 F.2d 50, 51-52 (2d Cir. 1989); *Wainwright Secs., Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978); *Dynamic Solutions, Inc. v. Planning Control, Inc.*, 646 F. Supp. 1329, 1337 (S.D.N.Y. 1986).

Bourne asserts that Disney has usurped Bourne's ability to control the extent and scope of the use of its copyrighted material, and that its potential damages are not quantifiable, especially because Disney is using The Song in a new adver-

tising medium whose unique potential cannot be predicted (5/1/92 Bourne Aff. ¶ 15). Furthermore, Disney first negotiated for this license and then, when it deemed Bourne's asking price too high, decided to proceed without a license, in brazen denigration of Bourne's rights. Bourne argues that if Disney is not enjoined, other users might also be encouraged to infringe Bourne's copyrights (4/15/92 Bourne Aff. ¶ 10). Finally, continued erosion of Bourne's position will impair its ability to negotiate with other authors and composers when acquiring musical compositions and catalogs (*Id.* ¶ 4).

Ordinarily, in a copyright case, this showing would suffice to establish irreparable harm. However, here Disney argues that Bourne's delay in seeking legal relief rebuts the copyright law presumption of irreparable harm, and requires the contrary presumption that Bourne is not suffering irreparable harm. It further contends that before the relationship between Bourne and Euro-Disney became adversarial, Bourne was willing to license the videocassette trailers for $.08 a unit, and therefore money damages would adequately compensate Bourne, should Bourne ultimately prevail.

1. *Delay in Seeking Relief*

It is undisputed that prior to April, 1992, Disney had not produced videocassette trailer advertisements using the Pinocchio songs, and that immediately upon learning that Disney intended to produce the advertising trailer, Bourne took appropriate legal steps to protect its rights. However, for many years Disney has made continuous, extensive, allegedly unauthorized, use of the songs in other visual media, including television movies, television advertising, videocassette feature films, and videocassette promotional films.

Disney relies on *Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985) which held that delay in seeking legal relief for trademark[4] infringement rebuts the presumption that the

[4] Bourne argues that *Citibank*, a trademark case, does not apply to copyright cases. However, courts in this circuit have repeatedly applied *Citibank* to copyright cases, and held that delay in seeking legal relief for copyright infringement is a sufficient reason to deny a preliminary injunction *See, e.g., Essex Music, Inc. v. ABKCO Music & Record, Inc.*,

infringement is causing irreparable harm. *See also, e.g., Majorica, S.A. v. R.H. Macy & Co.*, 762 F.2d 7, 8 (2d Cir. 1985) (preliminary injunction in trademark case cannot issue because of delay in seeking injunction); *Business Trends Analysts v. Freedonia Group, Inc.*, 650 F. Supp. 1452, 1459 (S.D.N.Y. 1987).

Citibank and the cases Disney cites differ from this case in a critical respect: each of those trademark or copyright owners delayed seeking legal relief to halt the same type of infringement or unauthorized use they later moved to enjoin. That is not true here. Bourne applied for a preliminary injunction immediately after Disney began using the song in videocassette trailers.

Disney contends that Bourne's failure to seek legal relief with respect to Disney's allegedly unauthorized prior uses of The Song precludes it from obtaining a preliminary injunction to halt Disney's expansion into this new form of infringement. Disney relies on *Citibank*:

> Any sense of urgency is further undercut by additional facts. Long before this dispute over its Long Island branch had arisen, Citytrust had advertised its services in the New York media, apparently, as Citibank asserts in its appellate brief, as early as 1980. Citytrust placed ads in the *New York Times* in October 1982 advertising its "insured money market plus account". Similarly, Citytrust apparently advertised on New York City radio stations in either 1982 or 1983. Surely, if the opening of an office in Long Island with only three employees, whose primary activity was to solicit commercial loans, would cause irreparable harm to Citibank through dilution of its trademark, advertising in the New York Times and other media under the Citytrust logo should have

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743 F. Supp. 237, 244 (S.D.N.Y. 1990) (citing *Citibank*); *Cuddle Wit, Inc. v. Chan*, 14 U.S.P.Q.2d 1572, 1573 (S.D.N.Y. 1989) (citing *Citibank*); *Russell William, Ltd. v. ABC Display and Supply, Inc.*, 11 U.S.P.Q.2d 1812, 1813 (E.D.N.Y. 1989) (citing *Citibank*). *See also, Horgan v. MacMillan, Inc.*, 789 F.2d 157, 164 (2d Cir. 1986) (analyzing copyright case under *Citibank* and assuming that *Citibank* applied).

> caused an even greater fear of irreparable harm by the plaintiffs.

756 F.2d at 277.

However, in *Citibank*, plaintiff Citibank waited ten weeks after it learned that defendant Citytrust had opened a New York branch before seeking a preliminary injunction. The Second Circuit held that the ten week delay with respect to the New York branch rebutted the presumption of irreparable harm from Citytrust's alleged trademark infringement in opening that branch. The Second Circuit did not hold that the "additional facts" which undercut any sense of urgency (see first line of quotation above) i.e. failures to object to other, different types of infringement, were sufficient standing alone to rebut the presumption of irreparable harm. The "additional facts" merely supported the conclusion reached on the basis of the ten-week delay in attacking the branch opening. Here, however, there was no delay whatsoever with respect to the specific use at issue. Bourne's tolerance of other types of infringement does not rebut the presumption that Disney's expansion into a new area of infringement is causing Bourne irreparable harm.[5]

Nor can Disney effectively argue that the home video trailer is not a new area of infringement. Despite its carefully guarded language, Disney's February 24, 1992 letter (4/9/92 Bourne Aff., Exh. 8) offered to pay $25,000 for the license to make the promotional "trailer to one home video release," based upon market information from Disney's advertising and media buying agencies. Obviously the $25,000 was to be paid for a particular license for a particular use.

Furthermore, Bourne's argument of irreparable harm is strengthened by Disney's conduct. Disney first requested a

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[5] *Gear, Inc. v. L.A. Gear California, Inc.*, 637 F. Supp. 1323, 1332-33 (S.D.N.Y. 1986) is also distinguishable. In *Gear*, the court found that there was no qualitative difference between defendant's old infringing uses of plaintiff's trademark and defendant's new uses, and therefore plaintiff's failure to object to the old uses rebutted the presumption that that the new uses were causing it irreparable harm. Here Disney's new use is qualitatively different; it is expanding its alleged infringement into a new area and a new market which neither party has yet fully exploited or explored.

license from Bourne, then abandoned the negotiations and proceeded with the videocassette trailers without a license. Bourne's failure or inability to prevent Disney's new use in such circumstances would weaken its reputation in the industry more than its failure to prevent Disney's prior infringing uses, which did not involve Disney's open disregard of its own prior request for a license (*See* Pl. Supplemental Mem. of Law at 4-5).

2. *Sufficiency of Money Damages*

Disney argues that the presumption of irreparable injury is rebutted by Bourne's offer to license The Song for videocassette trailer advertising for $.08 a unit, which shows that if Bourne ultimately prevails, it could be fully compensated by quantifiable money damages.

Bourne contends that it could not be adequately compensated by money damages because the license it contemplated granting to Disney for $.08 a unit would not have permitted Disney to distribute copies of the videocassettes to establishments which rent them to third parties, and these uncontrolled third-party rentals will cause it irreparable harm. This assertion leads only to speculation regarding the possible course of the abandoned negotiations and is unsupported by the existing correspondence between the parties.

Bourne further argues that its damages are not quantifiable because (1) the parties did not come to a definite agreement on the licensing fee; (2) it was deprived of economic leverage in the negotiations; (3) it did not include the risk of bad faith dealing and the cost of litigation in its proposed fee; (4) its reputation and negotiating position in the industry will be harmed by the unlicensed use, and Disney and others will be encouraged to commit further infringements; and (5) it only offered to license one trailer, advertising one product, on one videocassette movie, to be shown in foreign markets, whereas Disney now claims the right to use multiple infringing trailers, advertising any product, on any number of videocassettes, on any movie, in any market, and Bourne would not grant such a license under any circumstances. (*See* 4/9/92 Bourne Aff. Exh. 7; 4/15/92 Bourne Aff. ¶ 8).

The first three of those contentions are insufficient to show irreparable harm or that damages would be unquantifiable. They merely tend to show that if Bourne ultimately prevails, a reasonable royalty might be more than $.08 a unit *Cf. L.G.B. Inc. v. Gitano Group, Inc.*, 769 F. Supp. 1236, 1241 (S.D.N.Y. 1991) (solvent defendant's failure to pay licensing fee is not irreparable harm); *USA Network v. Jones Intercable, Inc.*, 704 F. Supp. 488, 493 (S.D.N.Y. 1989) (in breach of contract case, "necessity in many cases of making an informed, perhaps rough, approximation of damages does not render the legal remedy inadequate") (citations omitted).

Bourne's contentions about the damage to its reputation and about the scope of the proposed license are more persuasive. Bourne asserts that it carefully considers each proposed use before granting a license, and that it generally refuses to give blanket licenses (4/15/92 Bourne Aff. ¶¶ 2-4; 5/1/92 Bourne Aff. ¶¶ 2-3, 7). Under the circumstances, Bourne would be irreparably harmed if Disney is allowed to destroy Bourne's economic leverage as the sole licensor, and grant itself a blanket license based on a royalty offered in negotiations, which Disney itself broke off, over a limited license. Should Bourne ultimately prevail in this litigation, the present value of its lost economic leverage will be difficult, if not impossible, to appraise later.

On the present submissions, Bourne does not show irreparable harm with respect to the specific use of The Song in the trailer for home video release of "Rescuers Down Under," because its offer to grant that license for $.08 a unit provides an adequate basis for the calculation of money damages as compensation for that use. For the reasons set forth above, however, it does show irreparable harm with respect to any further use by Disney of videocassette trailer advertisements which use the Pinocchio songs.

B. *The Merits*

1. *The License-Back Provision of the 1939 Agreement*

To show likelihood of success on the merits, Bourne must establish a *prima facie* case of copyright infringement by

showing that it owns a valid copyright, and that Disney has engaged in unauthorized copying. *See Hasbro Bradley*, 780 F.2d at 192.

It appears to be common ground that Bourne holds a valid copyright on The Song, and that Disney has copied it. The parties dispute whether the copying is authorized under the 1939 agreement.

Where the language of a contract is plain and unambiguous, the court must give it effect without reference to extrinsic evidence. *See, e.g., Hunt Ltd. v. Lifschultz Fast Freight, Inc.*, 889 F.2d 1274, 1277 (2d Cir. 1989).

The license-back expressly gives Disney only the right to record the song in synchronization with the "motion pictures" it makes, to export those "motion pictures" abroad, and to "give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized" (Complaint Exh. D ¶ 3). Further language in the license-back implies that it was limited. *See Id.* ("Upon your request we will deliver to you a separate synchronization license duly executed by us in terms as broad as stated in this paragraph.")

Bourne's claim that synchronized videocassette trailer advertisements are outside the scope of the license-back raises at least sufficiently serious questions going to the merits to make them a fair ground for litigation. Disney is producing videocassettes for home use, and private viewings of home videocassettes are not "public performances." *See* 17 U.S.C. § 101; *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 158-160 (3d Cir. 1984) (distinguishing public showcasing of videocassettes from renting or selling videocassettes for home use on ground that only the former is a "public performance"); *Professional Real Estate Investors*, 866 F 2d at 280-81 (showing video movies in hotel room is not public performance).

Disney relies on *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 152-55 (2d Cir.), *cert. denied*, 393 U.S. 826 (1968), where the Second Circuit held that under New York law a contract executed in 1930, which gave the licensee the right "to copyright, vend, license and exhibit such motion pic-

ture photoplays throughout the world," included the right to exhibit the copyrighted motion picture by telecast:

> [T]he licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license . . . . If the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor . . . .

Id. at 155 (citations omitted).

In *Bartsch*, the Second Circuit confined its holding to cases where the disputed new use (there, television) existed at the time the parties signed their agreement. It expressly distinguished situations where the new use was totally unknown at the time the parties entered into their contract. *See* 391 F.2d at 152. Under New York law, if the disputed use was not invented when the parties signed their agreement, that use is not permitted under the contract. *See Kirke La Shelle Co. v. Paul Armstrong Co.*, 263 N.Y. 79, 82-86 (1933). It is undisputed that videocassette technology was not available in 1939. One may thus conclude that Bourne has the better of the argument that its license-back did not permit videocassette uses. *See also Tele-Pac, Inc. v. Grainger*, 168 A.D. 2d 11, 570 N.Y.S.2d 521, 522, 525 (1st Dept.), *app. dism'd*, 79 N.Y.2d 822 (1991) (right to distribute films "for broadcasting by television or any other similar device now known or hereafter to be made known" did not include right to distribute videocassettes because video technology is not a "similar device"); *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 854 (9th Cir. 1988) (same).[6]

Disney argues that it would be unreasonable and inequitable to interpret the license-back in way that does not give it full synchronization rights in all visual media, because it gave the

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[6] Aside from the issue whether Disney can use The Song on videocassettes in any form, there is the question whether advertisements are within the scope of the license-back. Neither party has presented a case or treatise which discusses whether a license to use a composition in "motion pictures" includes the right to use that composition synchronized to visual images in advertisements.

copyright to Bourne without getting any immediate payment. *See Merrill Lynch Commodities, Inc. v. Richal Shipping Corp.*, 581 F. Supp. 933, 939 (S.D.N.Y. 1984) (contractual language "must be construed in light of reasonable business practices designed to preserve 'sanity of end and aim' ") (quoting *Outlet Embroidery Co. v. Derwent Mills*, 254 N.Y. 179, 183 (1930)). However, Disney received direct benefit from the Pinocchio Agreement, because under it Disney profited from Bourne's predecessor's efforts in publicizing and licensing the songs.

Disney argues that the course of dealing of the parties, including numerous instances of its use of The Song for a television or videocassette visual production without a license, shows that the parties agreed that Disney could synchronize the music to any visual production without a license. At this point, the evidence of the parties' general course of dealing is conflicting and inconclusive.

Disney's argument that the license-back should be construed against Bourne, the alleged drafter, invokes no more than a principal "of last resort, to be invoked when efforts to fathom the parties' intent have proved fruitless." *Record Club of America, Inc. v. United Artists Records*, 890 F.2d 1264, 1271 (2d Cir. 1989) (dictum).

2. *Disney's Equitable Defenses*

(a) *Laches*

Disney argues that Bourne is unlikely to succeed on the merits because "the prejudice suffered by [Disney] as the result of [Bourne's] unreasonable and inexcusable delay in bringing the action invokes the bar of laches." *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584 (2d Cir. 1989), *cert. denied*, 493 U.S. 1094 (1990).

Disney claims that Bourne's delay makes it harder for Disney to support its interpretation of the contract because all persons known to be involved in the negotiation of the agreement, and many of those involved in its interpretation over the years, have died. It further claims that it has changed its position in reliance on Bourne's failure to bring legal action.

Disney claims that over the years it has taken substantial steps to make "When You Wish Upon A Star" its theme song, and to associate The Song with Disney in the public mind. It contends that it would not have done this had it known that it would have to pay licensing fees for visual synchronization uses (4/23/92 Nolan Dec. ¶ 67; Def. Mem. of Law in Opp. at 44).

Even if those arguments prevail, there remain serious questions going to the merits of whether such laches would extend to new forms or uses of The Song, such as the use at issue here, and whether, as a matter of law, the new use is outside the scope of the license-back. If the contract is interpreted as a matter of law in Bourne's favor, the unavailability of certain witnesses might be immaterial. *See Happy Dack Trading Co. v. Agro-Industries, Inc.*, 602 F. Supp., 986, 991 (S.D.N.Y. 1984) (parol evidence not admissible to contradict clear, unambiguous terms of contract).

(b) *Equitable Estoppel*

Disney claims that Bourne is equitably estopped from asserting its copyright rights because of its long period of tacit acquiescence in Disney's allegedly infringing uses.

To prevail on that defense, Disney must establish that: (1) Bourne knew of Disney's infringing conduct; (2) Bourne intended that its conduct be acted on, or acted in such a way that Disney had a right to believe that Bourne so intended; (3) Disney was ignorant of the true facts; and (4) Disney relied on Bourne's conduct to its detriment. *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1539 (S.D.N.Y. 1991) (citing *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960)); *Jones v Virgin Records, Ltd.*, 643 F. Supp. 1153, 1160 n.19 (S.D.N.Y. 1986).

Although Bourne may bear some responsibility in this situation, at this point it appears that a fact finder could conclude that Disney is the more responsible party because it might have clarified rather than assumed its rights, it took the risk of proceeding on its own interpretation, and it should

therefore face any resulting loss. *Cf. Audit Services, Inc. v. Rolfson*, 641 F.2d 757, 762 (9th Cir. 1981) (defendants who had copy of contract which unambiguously defined their obligations could not assert defense of equitable estoppel; "[e]ven if . . . the trustees intended to mislead the defendants . . . we cannot agree that the defendants were 'ignorant' of their responsibility under the agreement.").

Thus, the equitable defenses do no more than raise sufficiently serious questions going to the merits to make them a fair ground for litigation.

C. *The Balance of Hardships*

The discussion in Part A above addresses the irreparable harm Bourne faces.

Disney argues that the balance of the hardships does not tip decidedly in Bourne's favor, because of the severe harm that a preliminary injunction would cause to Disney.

> [I]t would work a severe injustice for Bourne to have permitted Disney, through decades of inaction, to develop "When You Wish Upon A Star" as its flagship theme song, and then more than 50 years later, after the song has become an integral part of Disney's personality and reputation, reassert a right limiting Disney's use of its established musical theme . . .
>
> . . . Any restraint on Disney's right to utilize "When You Wish Upon A Star" for its own purposes after it has become Disney's signature song would result in incalculable and irreparable harm.

(Def. Mem. of Law in Opp. at 43-44).

The argument is misplaced. The preliminary injunction is limited to prohibiting Disney from opening up new territory during the pendency of this litigation. It preserves the status quo. It does not prevent Disney from continuing to use The Song in the ways it previously has. According to Disney, those prior uses have succeeded in saturating the market and in identifying The Song, in the public consciousness, with Disney (4/23/92 Nolan Dec. ¶ 46). If that is the case, limiting

Disney to those uses during the pendency of this action would not work a severe hardship.

The balance of hardships tips decidedly in favor of Bourne, the copyright holder, in its quest to limit Disney to those prior uses in order to maintain the status quo until the litigation is concluded. *See Uneeda Doll Co. v. Regent Baby Products Corp.*, 355 F. Supp. 438, 445 (E.D.N.Y. 1972) ("the balancing of interests tips the scale in favor of a preliminary injunction: continued infringement not only erodes the plaintiff's statutory copyright but subjects the defendant to ever mounting damage and costs exposure")

CONCLUSION

Bourne's motion for a preliminary injunction enjoining defendants from using the Pinocchio songs for the purpose of producing videocassette trailer advertisements is granted. Specifically excepted from the preliminary injunction are the videocassette trailers on "Rescuers Down Under," advertising Euro Disneyland, which Disney has already produced, and which Bourne offered to license for $.08 a unit. Bourne's motion for a recall of the allegedly infringing videocassettes already released by Disney is denied.

Because this injunction does not extend to the videocassettes already produced by Disney, the bond posted by Bourne probably need not be a great amount. However, the parties have not addressed that question, and should have an opportunity to do so.

In light of the stipulation freezing the situation until the entry of a further order on this opinion, the parties will be given two weeks within which to submit their views on the proper amount of security.

So ordered.

Dated: New York, New York
July 1, 1992

LOUIS L. STANTON
LOUIS L. STANTON
U.S.D.J.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

No. 94-7793

Filed January 3, 1996

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 3rd day of January one thousand nine hundred and ninety-six.

BOURNE

Plaintiff-Appellant

—v.—

WALT DISNEY COMPANY

Defendants-Appellees.

A petition for rehearing containing a suggestion that the action be *reheard* in banc having been filed herein by the appellant Beebe Bourne, d/b/a Bourne Co.

Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT:
GEORGE LANGE III, CLERK

By: ARTHUR M. HELLER
Arthur M. Heller,
Administrative Attorney

Dated: January 3, 1996

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

No. 94-7793 & 94-7847

Filed February 8, 1996

At a Stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 18th day of October, one thousand nine hundred and ninety-five.

PRESENT:

HON. ELLSWORTH A. VAN GRAAFEILAND,
HON. ROGER J. MINER,
Circuit Judges,
HON. DENISE COTE,*
District Judge.

BEEBE BOURNE, d/b/a Bourne Co.,

Plaintiff-Appellant-Cross-Appellee,

—v.—

THE WALT DISNEY COMPANY and
BUENA VISTA HOME VIDEO,

Defendants-Appellees-Cross-Appellants.

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* Of the United States District Court for the Southern District of New York, sitting by designation.

TOWER RECORDS INC., BARNES & NOBLE BOOKSTORES, INC., BLOCKBUSTER ENTERTAINMENT CORP., RKO WARNER VIDEO, INC. and JOHN DOES 1 THROUGH 100,

Defendants.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York and was argued by Counsel.

ON CONSIDERATION WHEREOF, it is now hereby ORDERED, ADJUDGED and DECREED that the judgment of said district court be and it hereby is affirmed in accordance with the opinion of this Court.

For the Court
GEORGE LANGE III, CLERK

By: BETH J. MEADOR
Beth J. Meador
Administrative Attorney

VERDICT FORM

1. Did Bourne give Disney the right to use

   (a) the music from Snow White in

   (i) videocassettes — Yes ✔ No ___

   (ii) television advertising and promotions — Yes ___ No ✔

   (b) the music from Pinocchio in

   (i) videocassettes — Yes ✔ No ___

   (ii) television advertising and promotions — Yes ___ No ✔

2. Is Bourne estopped from asserting that Disney does not have the right to use

   (a) the music from Snow White in

   (i) videocassettes — Yes ___ No ✔

   (ii) television advertising and promotions — Yes ___ No ✔

   (b) the music from Pinocchio in

   (i) videocassettes — Yes ___ No ✔

   (ii) television advertising and promotions — Yes ___ No ✔

Excerpts from Trial Transcript–Charging Conference

[1512] MR. BERGER: If your Honor please, we ask for a directed verdict on the issue of videocassettes, because of the holding of the Ninth Circuit in the Cohen case. There is, as a matter of law, under Section 106(3) of the Copyright Act, no grant of sale rights in either of the agreements, notwithstanding Mr. Nolan's creative argument concerning Section 109. I think the evidence in this case—it is really a legal question, your Honor—is that videocassettes were not licensed by virtue of either the '33 agreement, the '37 agreement or the '39 agreement.

THE COURT: Denied.

* * *

[1528] MR. LITVACK: In addition to that, your Honor, Section 109(a) of The copyright Act I think is controlling here. As we pointed out in the memorandum we submitted to the Court the other day, under 109(a) and under the first sale doctrine these are rights which are inherent. There is no issue in this case about the distributing of the cassettes. I think to inject that at this point is to confuse or mislead, unintentional though it may be, the jury in a way that I think should not be done at this point.

MR. MAX: Your Honor, I am not sure if much response is required, but I think it is clear, and we have briefed this issue, that 109 does not apply. It is pretty clear from Section 106 of the Copyright Act that the right to distribute is a separate right. 109 relates to a wholly different issue. I believe the testimony and some of the documents that, indeed, defendants have introduced into evidence indicate that the works in question are derivative works that were created. So that a separate right to sell would be required under the Copyright Act. I refer the **[1529]** Court to our briefing on that issue. I think it is a pretty clear issue of law.

MR. LITVACK: Not to have the last word but hopefully to be helpful, I would point out to your Honor Section 109 starts with the words "Notwithstanding the provisions of Section

106(3)." That is the point. Put aside 106(3). 109 is what is applicable. I invite the plaintiff to cite a single case that supports the proposition they are urging upon you. I know of none. And they have cited none that I am aware of.

THE COURT: Let's move along. I am going to leave it as it is for the time being.

MR. BERGER: I don't know how it reads now.

THE COURT: "At issue in this case is whether Disney has the right to use musical compositions from Snow White and Pinocchio in making and distributing videocassettes for home viewing and for television advertising and promotional purposes."

* * *

[1530] MR. BERGER: No, I think there are two issues in that first paragraph. You indicated that you were going to make the change this morning. That is not the part, obviously, I am objecting to. I am objecting to the part that says we have the burden of proof to show that Disney's use of the copyrighted work is unauthorized. Our authority for that, your Honor, is the cases that are cited on page 6 of our objections dated March 1, 1993, namely, the Feist and Baxter cases and 3 Nimmer Section 13.10.

MR. BERGER: I assume you are intending to insert a sentence preceding that to the effect that Bourne has valid, existing copyrights in the compositions at issue?

THE COURT: Yes. I am just doing it now.

MR. LITVACK: I assume you are just going to say the burden is on Bourne to prove by a preponderance of the evidence in the case that Disney's use of the copyright was unauthorized. You have already ruled on the other elements.

MR. BERGER: But it won't be clear to the jury unless you make the statements.

I have a suggestion. I am going to give you a suggestion, but I am going to object to the second half. I am just trying to help the Court get on with its role here.

THE COURT: Thanks.

MR. BERGER: I am going to start the paragraph [1531] with: Bourne has valid, existing copyrights in the compositions at issue. Then I would start the next sentence: Bourne's remaining burden is to prove by a preponderance of the evidence in the case that Disney's use of the copyrighted work is unauthorized." But, of course, that is the part I am objecting to.

THE COURT: I understand. You are reserving your objection and helping me with the drafting of it. I understand both and I appreciate it.

MR. BERGER: I think that says it clearly.

THE COURT: I think it does. It is probably better for the defendant than what I was preparing to say, which was that I had determined as a matter of law that Bourne had established its claim.

* * *

[1573] MR. MAX: Your Honor, and I believe we went over this a little bit earlier, Section 109 relates to copies that are made lawfully. And with regards to videocassettes, that would be either a copy that is made under a license from the copyright owner with their permission or a videocassette that is made by the owner of the copyright. That is not the case here. Disney is not making the videocassettes with permission of Bourne. So the fair use application does not apply here. They have to have the right to fix or synchronize, and they have to have the right to sell.

Also, the grant in question here, that is, the grant under the '39 act, for example, taking that, does not [1574] include the right to sell, and it has a limited distribution right, which is, we submit, for theatrical distribution, not for videocassettes, and that is why the licenses are different for videocassettes versus motion pictures.

So Mr. Litvack's statement and his stretching to apply Section 109 just doesn't work here, and the rights, that is, the right to synchronize on videocassettes or to fix, and the right

to sell, are two separate rights, either of which can be infringed. You could have a situation where someone manufactures videocassettes and they do not sell those, but they are in a warehouse, and the fixing right of creating and manufacturing those videocassettes has been infringed. You would also then have a situation where that same person sells those videocassettes. That would be the infringing of a second right. If that person sold the videocassettes down the stream of commerce, those subsequent sales would still be infringements unless the original infringer had permission to make that videocassette.

So it is plaintiff's position that 109 doesn't apply here. We submit that the cases that we cited in our brief objecting to the charges submitted by defendant demonstrate that. We could provide additional law on that subject as well. The two rights are separate rights under Section 106 of the Copyright Act.

THE COURT: How can they be separated with **[1575]** respect to the second question and the evidence with respect to estoppel?

MR. MAX: With regards to the second question?

THE COURT: That's right.

MR. MAX: With regards to estoppel, the right to sell is separate from the right of creating videocassettes. You could have videocassettes that are created and not sold. That is a separate right under the copyright law. And you could—

THE COURT: Mr. Max, I am not asking about the copyright law. I am asking about the evidence in the case with respect to the defense of estoppel. In what way can it be articulated separately or as applying separately to the right to synchronize and the right to sell?

MR. MAX: Because the rights, your Honor, are identified under the Copyright Act as separate rights, and with regards to estoppel you would apply the criteria, the factors, for estoppel with regards to each, the fixing and the selling.

THE COURT: How could the jury, on the evidence, come to one decision about the fixing and another decision about the selling?

MR. BERGER: May I? I can think of a situation, your Honor.

THE COURT: Think of one in this case.

[1576] MR. BERGER: Yes, exactly.

THE COURT: All right.

MR. BERGER: They can reject Mr. Nolan's conclusions that the logic of 109 applies, in that the right to sell is implied by the law, and then you could have two different findings under two different rights.

THE COURT: Estoppel turns on the actions of the plaintiff.

MR. BERGER: Yes, and then you have the reliance and the "but for" element. So they could find that one of those elements is missing for the selling right, because they may not believe—Korman said otherwise. They may believe Korman, and they may say, no, I don't believe you, Mr. Nolan, that you came to that conclusion and acted on the basis of anything that Bourne did.

THE COURT: With respect to selling but not with respect to synchronization?

MR. BERGER: Well, either one. You asked me what the evidence in this case could allow the jury to come to two different determinations and I gave it to you, depending on what portions of Mr. Nolan's testimony they chose to believe or disbelieve.

MR. LITVACK: If I may, your Honor, I know you are focusing on the question you have asked, and I respectfully want to call your attention to two other things **[1577]** that I think are really important. One is what I said a moment ago, and then one is something I said the other day. Mr. Max sort of almost concedes the point. 109 starts with the premise—

THE COURT: Notwithstanding anything—

MR. LITVACK: No, that you can do this. And so, of course, there are separate rights, the law gives it to you. The point I am making to you and the point I made the other day and I will make it one more time and I will sit down, and I say this respectfully, your Honor, the problem that was created—and I said this at sidebar—is: This is an issue for you in the first instance, not for the jury. They can't accept and reject Nolan about what he thinks about 109. They have never even read 109. What are they going to do? That was the problem. Whether Mr. Korman thinks or Mr. Nolan thinks Section 109 relates to 106 or doesn't, how is a jury with no guidance, with no help, going to decide that?

I said the other day, I respectfully submit to you, your Honor, that is a question for you. I am confident that I am right in what I tell you. But if you disagree with me on the law, then you are to go one way; if you agree with me on the law, you are to go another way. But in neither event, I respectfully urge, should you dump it in their laps. They can't deal with this question, they can't, **[1578]** not in this case, not the way it has been tried, not where we are at.

MR. MAX: Your Honor, with regards to the discussion of 109, I think Mr. Litvack is trying to extricate himself from a problem which he created. He had Mr. Nolan testify that, with regards to videocassettes, all you need is a sync right. That is all you need. You don't need a performance right because it is in the home and there is no license for home performances. What he left out was the right to sell. You could have a situation where a license is granted by a music publisher to a motion picture production company by which they have the rights to make a motion picture that is sync'd, that is, synchronize the song in a motion picture. They have the right to distribute that motion picture for public performances in theaters. So under Section 106 they would have the synchronization right and the performance right. Under 109 they would not be able to sell it, because the license grant under the Copyright Act would not permit them to sell it, because

the distribution rights granted to that film would be limited to distribution for public performances.

Moreover, in this situation it is even more complicated because we have a fixing and then we have videocassettes which are sold. And it is outside the scope of the original grant. I think we need a determination as **[1579]** to those issues, especially in light of defendants' position, Mr. Nolan's testimony, and especially in light of the fact that they are trying to blur that distinction and say all we need is a synchronization right. And a motion picture is a video, they are the same things. They are trying to blur the issues, trying to separate the issues with regards to the right to sell and the right to synchronize.

So I think Section 106 makes it pretty clear, and I think with regards to the verdict form, that it should stand as Mr. Berger drafted it.

MR. BERGER: Could I add one point in the hope of clarifying this? It seems to me that Section 109 begs the question, because it says notwithstanding 106, but it also says that when the holder of the articles has it lawfully, he may sell it. That is the question. Does he have it lawfully in this case? So in effect what Mr. Nolan was trying to do was to sort of bootstrap himself into the right to dispose of it on the premise that he came into possession of it lawfully. What this jury is going to have to decide is: Did they come into possession of it lawfully?

THE COURT: Yes. That is why the separation is artificial. I think the net is that Mr. Litvack has the better of this argument on the law, and we will stick with the two questions, not the separation of the distribution or **[1580]** sale right.

I am also inclined to think that the direct question as raised by Mr. Litvack is probably the best of all. We ought to establish a text so that I can have it prepared and so that you know what you are arguing to. I think we are very close to it, but we ought to finish it up.

MR. LITVACK: I will read what I have, your Honor: Does Disney have the right to use:

A. The music from Snow White in (1) videocassettes, (2) television advertising and promotions.

B. The music from Pinocchio in (1) videocassettes, (2) television advertising and promotions.

Question number two.

THE COURT: The subdivisions are the same as in my draft.

MR. LITVACK: Precisely.

THE COURT: With the addition of the word "television" in front of it.

MR. LITVACK: And promotions instead of commercials.

MR. LITVACK: As to question 2, it would read:

2. Is Bourne estopped from asserting that Disney does not have the right to use:

A. The music from Snow White in (1) videocassettes, (2) television advertising and promotions.

[1581] B. The music from Pinocchio in (1) videocassettes, (2) television advertising and promotions.

May I also, your Honor, suggest that on page 10, if we are going to have them answer both questions—

THE COURT: That was something you wanted to reflect on further.

MR. LITVACK: Yes, your Honor.

MR. BERGER: Can the record indicate that I object to this form?

THE COURT: Yes. But we are just hearing it.

MR. BERGER: No, the form.

* * *

[1584] MR. LITVACK: Your Honor, may I call to your attention just two other things. On pages 8 and 9, I would request, you remember you said—I just want to make sure it

doesn't get lost in the shuffle, as it were—at the bottom of page 8 you said subject to further notice, and I would like to give further notice. I would request that that sentence read: "The issue in this case is whether Disney has the right to use musical compositions from Snow White and Pinocchio on videocassettes for home viewing and for television advertising," etc.; that we take out "in making and distributing."

MR. BERGER: That I would, of course, object to, your Honor.

[1585] THE COURT: Yes, consistent with what you said all along and what Mr. Max has argued. But consistent with my ruling, I am going to go back to "on" instead of "making and distributing," and your point is saved.

MR. MAX: Your Honor, if I may be heard on that?

THE COURT: I think this will be the last voice on it.

MR. MAX: Yes. I think to just say to use "on videocassettes" is terribly misleading.

THE COURT: What would you prefer that conforms to my ruling?

MR. MAX: Your Honor, if I may just clarify your ruling. Your ruling was based on—

THE COURT: I have stated it.

MR. MAX: Was it based on 109? Is that the basis?

THE COURT: Yes. Now we are talking about the text on page 8.

MR. MAX: Could we have language on videocassettes sold to the public for private home use?

THE COURT: I am going to say videocassettes for home viewing. I am not going to let the distinction between synchronization and selling come creeping back in. I may be right, I may be wrong, but at this point I am clear on that. I think the record is probably clear too, as clear as most **[1586]** records to the Court of Appeals get.

MR. LITVACK: Page 9, your Honor, the same change.

THE COURT: The came change.

MR. BERGER: You are adding "for home viewing"?

THE COURT: I think instead of "on," which is a little blunt, "in connection with." "In connection with videocassettes for home viewing or in television advertising."

Thank you all very much.

Excerpts from Trial Transcript–Jury Charge

[1702] At issue in this case is whether Disney has the right to use musical compositions from Snow White and Pinocchio in connection with videocassettes for home viewing, and for television advertising and promotional purposes.

Bourne has valid, existing copyrights in the compositions at issue. In order to establish its claim, the burden is on Bourne to prove, by a preponderance of the evidence in the case, that Disney's use of the copyrighted work is unauthorized.

You must look to the contracts and to the parties' understanding and intent when they entered into them in order to determine whether Disney has the right to use the compositions in connection with videocassettes for home viewing or in television advertising. The contracts were signed many years ago, and the actual signatories were not available to testify here. Hence, you may look to other evidence to determine the understanding and intent of the parties.

You may consider the contracts themselves, correspondence between the parties concerning the contract and all the circumstances that you find existed then.

In addition, you may consider the practical construction or interpretation the parties gave to the **[1703]** contracts over the years. These may be shown by the parties' acts, conduct or declarations over the years, including use of the compositions in various media, as long as they indicate mutual intent and understanding between the parties. If one of the parties accepts a known interpretation by the other, that is evidence of practical construction.

In determining the intent of the parties, you may also consider the testimony you have heard regarding the customs and practices of the entertainment industry during the relevant times and the changes in technology between the 1930s and today.

There is a presumption that when parties enter into agreements, they are acting in a commercially reasonable manner. However, the parties should be held to the terms to which they agreed. It would be improper to use a process of interpretation to relieve a party from a disadvantageous contract to which the party actually agreed.

Excerpts from Trial Transcript–
Hearings Prior to Verdict

[1724] (2:45 p.m., in open court, jury not present)

THE COURT: I'll read the most recent question which you have had a chance to see into the record. It has been marked as Court Exhibit 4. And it states:

"In the light of your reply concerning rights for videocassettes, what kinds of rights are required by Disney to *produce* (not perform) such cassettes?"

MR. LITVACK: Your Honor, I think the answer to that question is very simple and straightforward. The answer to the question is synchronization rights. That's what we have been talking about and I think it is a straightforward answer. That's what they need to produce it.

MR. BERGER: I think that's, again, a misleading response because I think there are two rights that are required. The right to synchronize or fix the copyrighted music onto the videocassette—

THE COURT: That's called a synchronization right, isn't it?

MR. BERGER: It's the same thing he is talking about, but I think the word "fix" is more appropriate to videocassette. In the case here if you are—say, take Pinocchio from the film to the videocassette. It is already synchronized so you are fixing the synchronized version onto the videocassette, so we can use the terms interchangeably. **[1725]** And the right to sell the videocassettes to the public for private home use.

They didn't use the precise words. They used a term that is a neutral term. That's why I think a complete answer would call for identifying both rights.

MR. LITVACK: They have asked specifically for the right to produce. Indeed, the plaintiff always argued you can have the right to produce and then you can put the stuff in your basement, is what Mr. Max was saying yesterday. The right to produce is the synchronization right. That's the right we're talking about.

MR. BERGER: I took the liberty of writing ot out, your Honor, if you want to see what I said.

THE COURT: Thank you.

MR. BERGER: You know, actually, if I could just say one additional thing, Judge. The other document this morning which was in response to their second question—

THE COURT: You showed me another form of lease.

MR. BERGER: This is the Disney form. It's spelled out there in the Disney form because this is the license for the videocassette Simply Mad About The Mouse. And that is from one Disney entity to another authorizing the other Disney entity to produce the videocassette Simply Mad About The Mouse.

MR. LITVACK: No, no. To produce, to sell, to **[1726]** distribute. They are all separate. What they have asked about is what do you need to produce. The answer is synchronization.

THE COURT: Yes, I think they draw a clear distinction between performance and production and the right required to produce is the synchronization right. I will answer it that way.

MR. BERGER: Your Honor, there is an intermediate right before you get to performance.

THE COURT: They don't ask about performance.

MR. BERGER: But the word "produce" is not a word in the statute. They are using a neutral term.

THE COURT: But they are using their term. The answer is their term. To produce the videocassette you need the right to synchronize the music. As I really think that's the right answer.

MR. BERGER: I respectfully disagree, your Honor.

THE COURT: And you have read yours into the record. You can mark it for identification if you want to.

MR. BERGER: (To the reporter) Just copy it into the record. That will be sufficient.

("The right to synchronize or fix the copyrighted music onto the videocassettes and the right to sell the videocassettes to the public for private home use."

THE COURT: What is the correct term? You [1727] synchronize the music to what, the action?

MR. LITVACK: To the visual image.

THE COURT: To the visual image.

I'll read into the record what I have written in response and counsel are free to look at it. It states:

"The answer to your question is that the right required to '*produce* (not perform)' videocassettes is the right to synchronize the music to the visual image."

Anybody who wants to take a look at that is free to do so.

MR. BERGER: I think you should add, "onto the videocassette."

THE COURT: I think it can stand as it is.

MR. BERGER: Because you always talk of it in terms of a particular medium.

THE COURT: It's the visual image.

MR. MAX: Your Honor, you may have a synchronization right for motion pictures or for television which would not grant videocassette rights.

THE COURT: That's the argument you are making in the case.

MR. MAX: No, your Honor.

MR. BERGER: You need to add the medium.

THE COURT: Tell me the language you prefer.

MR. BERGER: "Synchronize the music to the visual [1728] image onto videocassettes."

THE COURT: It says onto videocassettes.

I think I will send it in.

MR. BERGER: You know my view on this.

THE COURT: I think it is clear.

(Pause)

THE COURT: As you see, I just received another note from the jury. I will have it marked as Court Exhibit 5. It reads as follows:

"Can we please have the judge's definition of the doctrine of estoppel read back to us (as it pertains to the distinction between No. 1 and No. 2 on the verdict form)."

You are welcome to take a look at it. I suspect the answer is to read them back the charge on estoppel.

MR. LITVACK: That part's easy. The "as pertains to" I don't understand.

(Pause)

THE COURT: Gentlemen, I think the solution has just occurred to me. That's all they want read back. They don't want to hear any more about the first question. I suspect that's what they are saying.

MR. LITVACK: You you think they are saying just read us the estoppel part. That I understand. "As it pertains to" throws me. I think the best thing to do is to read back the estoppel part.

**Excerpts from Trial Transcript–
Jury Verdict**

[1740] THE CLERK: Ms. Forelady, do you have a verdict?

THE FORELADY: Yes.

THE CLERK: Thank you.

(Pause)

THE CLERK: Members of the jury, please listen to your record as it will stand in court.

Question 1. Did Bourne give Disney the right to

(a) the music from Snow White in:

(i) videocassettes:

Answer: Yes.

(ii) television advertising and promotions:

Answer: No.

(b) the music from Pinocchio in:

(i) videocassettes:

Answer: Yes.

(ii) television advertising and promotions:

Answer: No.

Question 2. Is Bourne estopped from asserting that Disney does not have the right to use:

(a) the music from Snow White in:

(i) videocassettes:

Answer: No.

[1741] (ii) television advertising and promotions:

Answer: No.

(b) the music from Pinocchio in:

(i) videocassettes:

Answer: No.

(ii) television advertising and promotions:

Answer: No.

So say you all.

THE COURT: Do counsel want the jury polled?

MR. LITVACK: Yes, your Honor.

THE COURT: Very well.

* * *

1937 Agreement

AGREEMENT made this 12th day of October 1937 between IRVING BERLIN, INC. of the City of New York, hereinafter designated as the "PUBLISHER" and WALT DISNEY PRODUCTIONS, LTD. hereinafter designated the "COMPOSER."

W I T N E S S E T H

1. The COMPOSER hereby sells, assigns, transfers and delivers to the PUBLISHER, its successors and assigns the original musical compositions written and composed by WALT DISNEY PRODUCTIONS, LTD. and bearing the titles of "One Song"—"Whistle While You Work"—"Some Day"—"With a Smile and a Song"—"I'm Wishing"—"Bluddle-uddle-um-dum"—"A Silly Song"—"Dig-a-dig-dig"[—]"Heigh-Ho" including the title, words and music thereof, TO HAVE AND TO HOLD, the same absolutely as to the PUBLISHER its successors and assigns forever, together with all rights therein, or any copyright now subsisting, for all Countries that the COMPOSER now has or may be entitled to or that he could or might secure if these presents had not been made, including the publishing rights, the performing rights, the cinematographic and radio broadcasting rights, the rights to use the same for mechanical reproduction, the right to make, publish and perform any arrangement or adaptation of the same and all copyrights and the rights to secure all copyrights and extensions and renewals of copyrights in the same, or in any arrangements or adaptations thereof.

* * *

3. IN CONSIDERATION, hereunder in reliance upon the truth of each and every representation by the COMPOSER being herein made the PUBLISHER agrees to the COMPOSER the following royalties to wit:

(a) Four cents (4¢) upon each and every complete printed pianoforte copy and two (2¢) cents upon each and every completed printed orchestration or band copy of the said work sold by the PUBLISHER in the United States and Canada only.

(b) And the COMPOSER agrees that the PUBLISHER shall be under no obligations to pay any other sum whatsoever except as in this agreement provided and that no royalties shall be paid upon the following: complimentary copies; copies sold but not paid for; copies sold and returned to the PUBLISHER; copies sold or given away as new issues or for advertising purposes; professional copies; copies included in folios or books or published in newspapers, magazines or other periodicals; or other arrangements of or containing said work or any part thereof.

The PUBLISHER will pay to the COMPOSER a sum equal to one-half (1/2) of any and all royalties that the PUBLISHER shall actually receive from the use of the said musical compositions for mechanical reproductions less one-third (1/3) cost of collection under the license of the PUBLISHER in the form of playing rolls, including word rolls, records, discs, or other devices for the mechanical reproduction of the said musical compositions.

WHENEVER the said compositions or any part thereof shall be used by the Manufacturer of any mechanical reproducing device in connection with any other musical composition or part thereof for the purpose of recording said compositions or parts thereof as a medley, the PUBLISHER shall pay to the COMPOSER a royalty in lieu of the royalty hereinbefore specified as mechanical royalty to be determined as follows. The sum actually received by the PUBLISHER by reason of the mechanical reproduction of said medley shall be divided among and allocated to the compositions comprising said medley; and in determining such proportions the verse of any composition shall count as one part and the chorus as one part and each repetition of either verse or chorus shall count as one part and the COMPOSER shall be entitled to a sum equal

to one-half (1/2) of the moneys so allocated to the compositions the subject of this contract.

The foregoing rates of royalty apply only to the United States of America. With respect to royalties for the use of the above compositions in other countries the Publisher will pay to the Composer a sum of money equal to one-half (1/2) of any and all royalties that the Publisher shall actually receive from the use of said musical composition, less deduction for taxes, including the sale of pianoforte copies, mechanical rights and rolls or for any other use excluding, however, any sums paid to the Publisher as an advance. It is specifically provided, however, that the rates of royalty with reference to Canada shall be a sum equal to one-half (1/2) of the rates applicable to the United States on sheet music. Other rates of royalty applicable to Canada shall be the same as those applicable to countries outside of the United States.

98a

1939 Agreement

SALE and AGREEMENT

of

Musical Composition Entitled

_____

BY

COMPOSER OF MUSIC

AND

AUTHOR OF WORDS

_____

TO

IRVING BERLIN, INC.

_____

Dated _____ 193

August 15, 1939.

Walt Disney Productions,
Hollywood, California.

Gentlemen:

The following is our understanding:

* * *

3. As to all the "music" and the lyrics thereof if any, affected hereby, simultaneously with such conveyance thereof to us, we hereby grant to you for the duration of the copyrights thereof and all renewals thereof (to the extent we acquire such renewal terms of copyright) and for all of the countries of the world to the extent we own such right, the non-exclusive right to mechanically and/or electrically record the said musical compositions and/or lyrics, if any, in synchronism with any and all of the motion pictures which may be made by you and the right to export such recordings to all of the countries of the world, and the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized. The right hereby granted shall include the right to make any arrangements or adaptations of the musical compositions and/or lyrics, if any, necessary for the making of the said synchronized recordings. Upon your request we will deliver to you a separate synchronization license duly executed by us in terms as broad as stated in this paragraph.

* * *

5. With respect to each composition published by us hereunder, we will pay to you the following royalties, to-wit;

* * *

(b) A sum equal to one-half (1/2) of any and all royalties that we shall actually receive from the use of the said musical composition for mechanical reproduction under our license in the form of player rolls, including word rolls, records, discs, electrical transcriptions or synchronization in motion pictures, or other devices for the mechanical reproduction of the said musical composition, less, however, any agent's or trustee's fee for collection of said royalties.

1933 Agreement

AGREEMENT, dated September 26th, 1993, between IRVING BERLIN, INC., a corporation, (hereinafter called the Publisher) and WALT DISNEY PRODUCTIONS, LTD., a corporation, (hereinafter called the Corporation),

* * *

2. The Corporation hereby grants and gives to the Publisher the right and authority to obtain and register the said respective copyrights (or the part of such copyrights which the Corporation may have or be entitled to obtain or register) of all original music written by persons in the employ of or under contract with the Corporation, to be published by the Publisher under the terms of this contract. The Publisher agrees to forthwith grant and convoy to the Corporation the right to record, or permit its producing agencies to record, such music, mechanically, and perform and license others to perform the same in connection with the respective motion picture for which such music was especially written, the right to record such music mechanically in any and all other motion pictures to be produced by the Corporation or its producing agencies, the right to ship, import and export and to license others to ship, import and export, any and all such mechanical recordings throughout the world, but only in connection with the Corporation's pictures. The Corporation reserves television rights in respect to its motion picture comic cartoons, including the music and sound effects accompanying and/or appertaining to the same.

1909 Copyright Act, 17 U.S.C. § 27

§ 27. Copyright distinct from property in object copyrighted; effect of sale of object, and of assignment of copyright

The copyright is distinct from the property in the material object copyrighted, and the sale or conveyance, by gift or otherwise, of the material object shall not of itself constitute a transfer of the copyright, nor shall the assignment of the copyright constitute a transfer of the title to the material object; but nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.

1976 Copyright Act, 17 U.S.C. Sections: 101, 106, 109(a) & (b), 202

§ 101. Definitions.

* * *

A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

§ 106. Exclusive Rights in Copyrighted Works.

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

§ 109. Limitations on Exclusive Rights: Effect of Transfer of Particular Copy or Phonorecord.

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

* * *

(d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

§ 202. Ownership of Copyright as Distinct From Ownership of Material Object.

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.